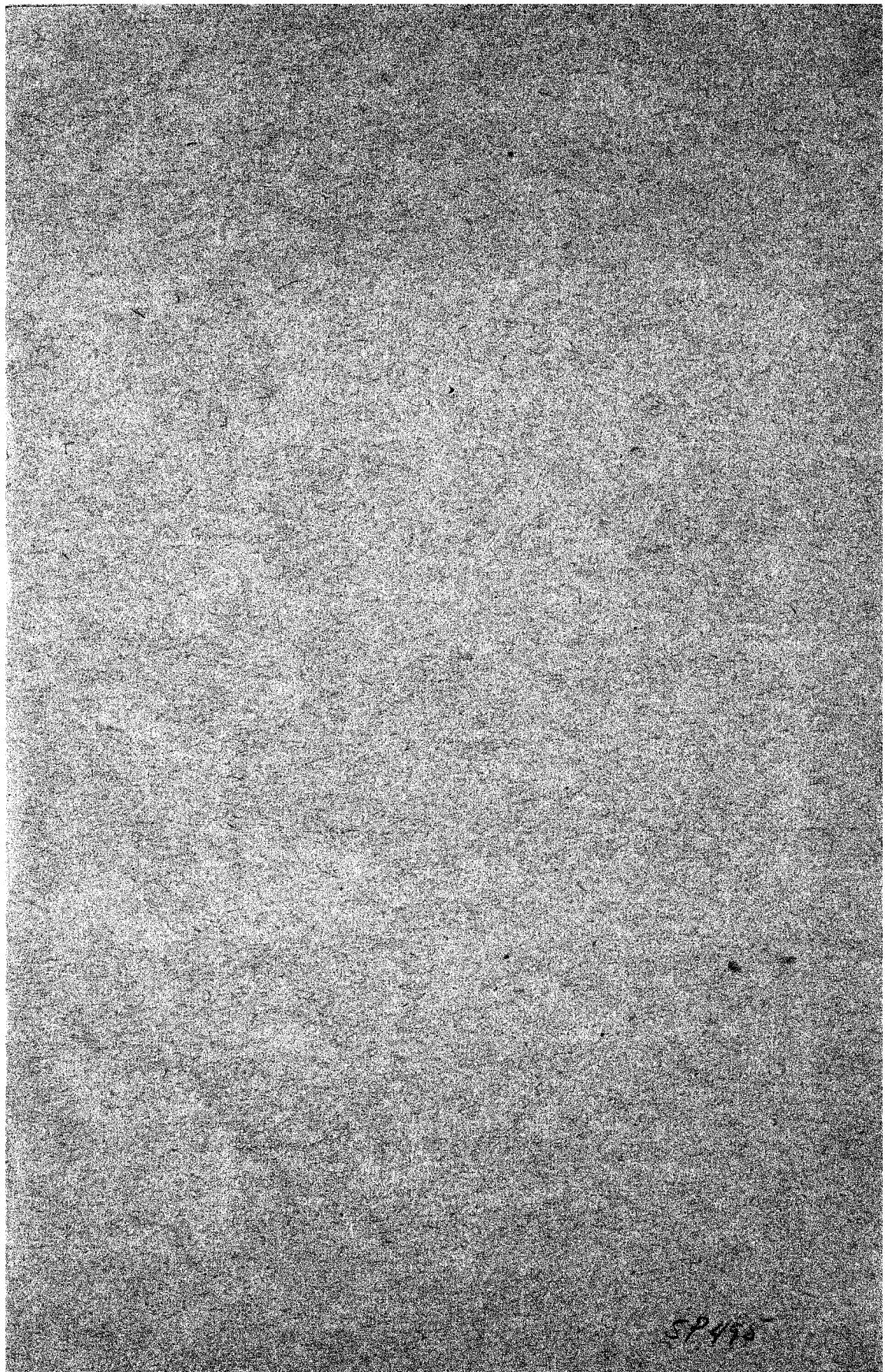


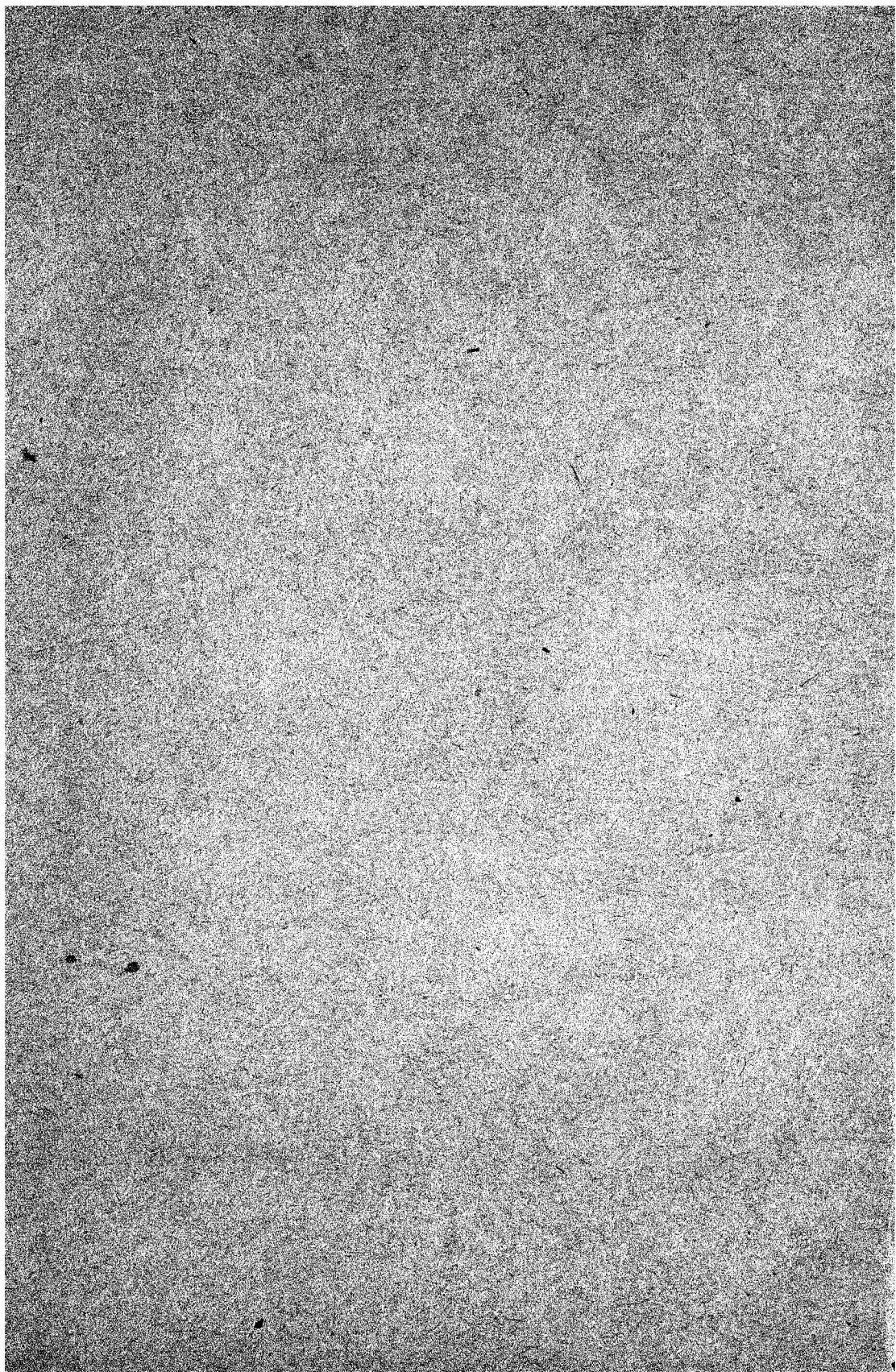
* REPORT OF THE MINISTER OF FINANCE

Short
HF
1764
.R2C2
c.1

Shortt
HF
1764
.R2C2
c.1

X. L. BINDERY
E. A. ANDREW
420 AVE. F. SOUTH
SASKATOON





REPORT

MINISTER OF FINANCE

RECIPROCITY TREATY

UNITED STATES.

THE MEMORIAL OF THE CHAMBER OF TRADE AND INDUSTRY
OF ST. PAUL, MINNESOTA,

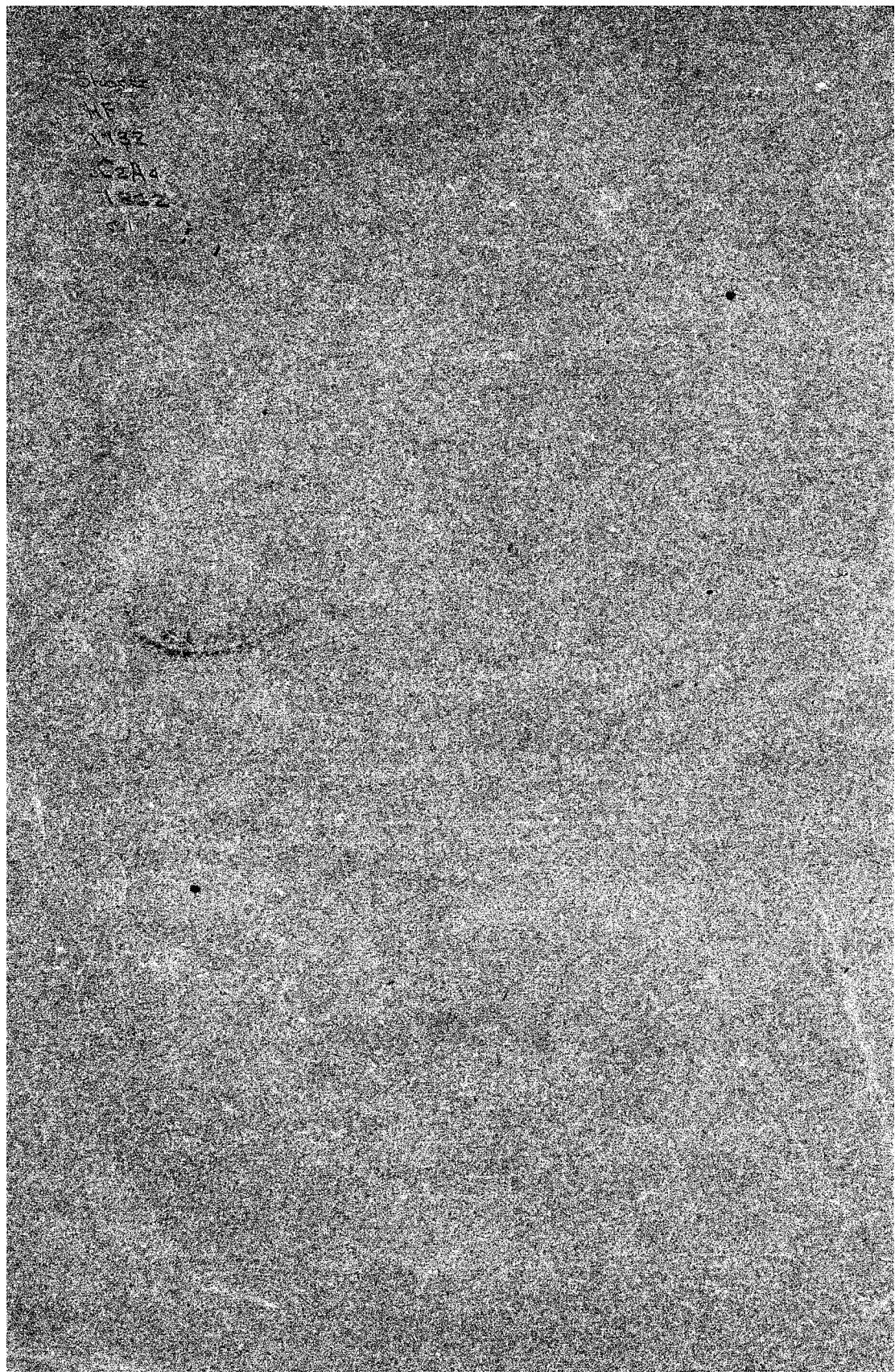
AND REPORT OF CONGRESS TO S. AMERICA

To the Honorable Delegates of His Excellency the Governor General.



OBSTACLES
TO THE TRADE OF INDIA AND CHINA
AND THE PROPOSED RECIPROCITY TREATY

BOARD OF TRADE, ST. PAUL, MINNESOTA.



REPORT
OF THE
MINISTER OF FINANCE
ON THE
*S.P. 495
30-12-25*
RECIPROCITY TREATY
WITH THE
UNITED STATES,
ALSO,
Library
THE MEMORIAL OF THE CHAMBER OF COMMERCE OF
ST. PAUL, MINNESOTA,
AND REPORT OF CONGRESS, U. S., THEREON.

Printed by Order of His Excellency the Governor General.



QUEBEC:
PRINTED BY STEWART DERBISHIRE AND GEORGE DESBARATS,
PRINTER TO THE QUEEN'S MOST EXCELLENT MAJESTY.

1862.

RECIPROCITY TREATY WITH THE UNITED STATES.

[COPY.]
No. 58.

QUEBEC, 28th March, 1862.

MY LORD DUKE,

I have the honour to enclose for your Grace's information a minute of the Executive Council approved by me in reference to a Report from the Minister of Finance, on the subject of the reciprocity treaty with the United States.

I have forwarded a copy of the Report of the Finance Minister to Lord Lyons.

I have, &c.

(Signed,) MONCK.

HIS GRACE,
THE DUKE OF NEWCASTLE.
&c., &c., &c.

Copy of a Report of a Committee of the Honorable the Executive Council, approved by His Excellency the Governor General in Council on the 26th March, 1862.

The Committee have given their attentive consideration to the annexed Report from the Honorable the Minister of Finance, on the subject of the Report of the Committee on Commerce of the House of Representatives on the reciprocity treaty and also the memorial from the Chamber of Commerce of St. Paul, Minnesota—and they respectfully submit their concurrence in the views and suggestions therein offered by the Minister of Finance and advise that they be approved and adopted.

Certified, WM. H. LEE,
C. E. C.

THE MINISTER OF FINANCE,

To whom was referred the Report of the Committee on Commerce of the House of Representatives on the Reciprocity Treaty, and also, the Memorial of the Chamber of Commerce of St. Paul, Minnesota, has the honour to Report to His Excellency the Governor General in Council.

The Committee base their Report on the concurrent Resolutions of the Legislature of the State of New York, respecting the Treaty, which are given in their Report. But the Committee omit entirely to give the text of the Treaty, which the undersigned now supplies in the Appendix.

The omission of the text can be readily accounted for, when it is observed, that the Committee do not venture in the slightest degree to impugn the action of Canada under the Treaty, but rest their whole case upon alleged breaches of its intention and spirit, by fiscal legislation on manufactures and other subjects, which are not even incidentally alluded to in it.

It would be a sufficient reply to these complaints of the Legislature of New York, and of the Committee on Commerce, for the undersigned to point out that no accusation of an infraction of the Treaty is made, and that the other points upon which they dwell may fairly enough be subject for future discussion, in connection with the fiscal legislation of the United States themselves, but ought not to be made the substance of complaint in connection with that to which they bear no relation.

The undersigned has, however, no desire to avoid the discussion of the points raised in the Report referred to, and it is especially his duty to correct many of the statements therein.

Before passing to the consideration of the Report, it is necessary to dispose of the allegation in the preamble of the Resolution of the New York Legisalure, that—

" Heavy duties are now imposed upon many of those articles which the United States have to sell with the intention of excluding the United States from the Canadian Markets, as avowed by the Minister of Finance," " and similar legislation with the same official avowal has been adopted by the imposition of discriminating tolls and duties in favor of an isolating and exclusive policy against our merchants and forwarders, meant and intending to destroy the natural effects of the Treaty and contrary to its spirit."

This statement, as applied to the undersigned or to the Government of Canada, is wholly unjustifiable. The Legislation of Canada has been unquestionably designed to promote the welfare, and to foster the commerce of the country, and, if in attaining this object, trade has been diverted from American to Canadian channels, it is only proof of the wisdom of the means employed, not evidence of a design merely to injure others. To allege that the policy of this Government has been avowedly to damage our neighbours is an injurious imputation which scarcely was to be expected from the representatives of a nation whose commercial policy is itself so exclusively national and restrictive. It will, however, be hereafter shewn that the policy of Canada, both as regards the imposition of duties, and also in the abolition of tolls, is in marked contrast with that of the United States, and of the State of New York on the side of liberality, and that if complaint can justly be made of the infraction of the spirit, and it may be added, letter of the treaty, it rests with Canada to be the complainant. The mutual advantages derived from the operation of the Treaty are, however, so evident, that Canada has never sought to disturb it, and the Committee on Commerce appear also to have fully appreciated its benefits to the United States, and to desire not its abrogation, but its extension, a desire which is fully reciprocated by Canada. It is, therefore, a subject, of deep regret to the undersigned that the Committee on Commerce, having this object in view, should have framed their report and recommendations in a spirit of accusation and complaint rather than upon a correct appreciation of mutual advantages in the past, inducing further progress in the same direction in the future. The argument of the Committee would appear to be, that admitting both countries have largely benefited, Canada has had the greater gain, and, therefore, the United States have a claim for compensation. It may, however, clearly be shewn that according to the accepted principles of political economy, the very results which are indicated by the trade returns, are a proof of gain to the United States, equally at least with Canada.

The conclusions of the report, pointing to an extension of commercial facilities between the United States and Canada, gives the undersigned the most sincere desire to avoid undue criticism, but as no new negotiations would be likely to result favorably, if one party were suffering under fancied wrong, he considers it more advisable to review the statements of the Committee, and when necessity requires to point out errors in fact, and fallacies in argument, with which their report is chargeable.

The Committee on Commerce in no portion of their report allege an infraction of the letter of the Treaty by Canada,—nor, does Canada make

any similar charge against the United States. The admission is most important, as it enables both parties to judge of that which has been effected by the treaty, and removes the discussion to other subjects which affect the commercial relations of both countries, but do not impugn the good faith of either.

The Committee, however, charge upon Canada breaches of the spirit and intention of the treaty, by an increase of duties on manufactured articles; by a change in the mode of levying the said duties; and by the abolition of tolls on the St. Lawrence Canals and river. The undersigned proposes to shew, by a careful review of the report of the Committee, that these allegations are wholly without foundation, as affording any ground of complaint by the United States. It may perhaps be as well here, however to dispose at once of any question arising upon the right of Canada to impose such duties as she may please on manufactured goods. The spirit and intent of any treaty can only refer either to the mode of dealing with subjects in it, or necessarily affected through it. The treaty contains no reference to manufactured articles whatever, but is expressly limited to articles, "the growth and produce" of the respective countries (of which a Schedule is attached.) It is therefore an assumption for which no ground exists, to allege that either its spirit or intent could possibly be affected by the policy of either country as regards any unenumerated article. The spirit of the treaty was, however, infringed by the United States, by the imposition of heavy consular fees on proof of origin, which thus became tantamount to a duty, and which were therefore, after nearly two years of negotiation, finally removed by Act of Congress. In proof that the United States never contemplated any latitude being given to the express words of the treaty, it may be here stated that under the article of timber and lumber, they have subjected to duty all planks and boards which were either in whole or in part planed or tongued and grooved, giving the most restricted sense to the words used "unmanufactured in whole or in part." In further evidence of the views taken by that Government of the "spirit and intent" of the treaty, it may be stated that they subject to duty flour ground in Canada from *American wheat*, although Canadian flour is free. So also is lumber made in Canada, out of *American saw logs*, subject to duty in the United States. In these cases, especially in the two latter, it may well be questioned whether their decision is in conformity with the spirit of the treaty, or even its letter; it certainly does not harmonize with the allegation that there was a tacit understanding that the treaty went beyond its letter.

It is scarcely necessary to argue upon such a perfectly groundless assertion, as that manufactured goods were affected by the treaty; but admitting it were so, this obligation must have been mutual, and if Canada were debarred from increasing her duties, the United States must have been equally held bound. Their necessities have produced an enormous increase in their customs duties, against which Canada certainly pretends no right to complain; why then do they complain of what has been found needful here? Some plausible reason might have been found, had Canada imposed differential duties against American manufactures;

but this is not so, her duties are levied at equal rates upon the goods of Great Britain as upon those of the United States.

The Committee on Commerce having divided their Report into several heads, it may be convenient to follow their sub-division in such remarks as appear called for.

Under the title of "Natural Characteristics of Northern Nations, and the necessary principle of our Policy," it is stated that "sure and safe guides in the application of political economy and to our own prosperity, are to be found in the simple principles of morality and justice, because they alone are true alike in minute and great affairs, at all times and in every place. They imply freedom for ourselves and those rules of fraternity or equality, which enjoin us to regard our neighbours as ourselves. We can trust in no other policy."

It is gratifying to learn that the Committee on Commerce inculcate such liberal views. Considering the wide field possessed by the United States for the exercise of true political economy, it may well be hoped their views may meet with acceptance with the American people, whose policy has thus far been generally regarded as exclusive and strictly national.

The policy of the United States of protection to home industry, through the apparent prosperity which is attributed to it—whether erroneously or not, need not now be considered—has made many converts in Canada, and it certainly has been a subject of some surprise, that a country having protection as its own commercial policy should feel so much aggrieved at the supposed application in part, however small, of its own doctrines. It would certainly seem that the Committee on Commerce do not believe in the American policy, or that they wish to deprive Canada of the opportunity of becoming great and independent by preventing her adoption of it. The undersigned desires expressly to deny that the policy of Canada, so far as directed by him, has been based upon other than free trade principles, modified to suit the circumstances of the country; but in discussing this question with the Committee on Commerce, it may be necessary occasionally to argue from the protectionist point of view of the United States, especially as it will be his duty hereafter to point out, that their doctrine of Free Trade with Canada, really means the adoption of a more exclusive policy towards Great Britain and the rest of the world.

On pages 6 and 7 of the Report, the most liberal sentiments are quoted from eminent statesmen of the United States, advocating "fair reciprocity and equal competition" with the British Provinces. But the undersigned regrets to be compelled to observe that these liberal sentiments have not governed the policy of the United States. Canada admits the registration of foreign vessels without charge—the United States do not. Canada has for years tried to have the Great Lakes made free to vessels of both countries for coasting purposes, but without success. Canada allows American craft to pass through her whole system of canals to the ocean, free of toll or charge of any description; but no Canadian boat is allowed

even on payment of toll, to enter an American canal. Even the express stipulation in the IV. Article of the Reciprocity Treaty, that "the Government of the United States further engages to urge upon the State Governments to secure to the subjects of Her Britannic Majesty, the use of the several State canals on the terms of equality with the inhabitants of the United States," has thus far remained a dead letter; and this Government is not even informed that the promised effort has been made. Foreign goods are constantly bought in the American markets, and brought into Canada, paying duty only on the original foreign invoice, but the American Customs Laws prevent any similar purchases being made in Canada. Taking the article of Tea, it has been always subjected to a duty of twenty per cent. when imported from Canada, though free if imported at the sea-board.* Goods made in Canada have been invariably charged the high tariff duties of the United States, while similar articles have, until very recently, been admitted from thence into Canada at low duties, and under the existing Canadian Tariff are very greatly lower than the rates charged even before the imposition of the Morill tariff.

The undersigned cannot permit the sentiments expressed in the Report under consideration to pass as indicating the uniform action of the United States Government towards this country, as the fact stands beyond dispute, that the course of that Government has been very far from liberal or reciprocal, with the exceptions of the permission to pass Goods through the States under bond, which was enacted, not out of deference to Canada, but to secure an important carrying trade to American canals, railroads, and forwarders; and in respect to the Reciprocity Treaty for which the United States received a full equivalent, not merely in the trade of Canada, but in the concessions made in regard to the Fisheries.

That the fact is as stated, may be judged by the admission of the Committee on Commerce, under the head p. 8, "complete Reciprocity recommended, &c.:"

"It will be impossible to say how far these opinions prevail in Canada, *until some more efficient indication on our part has been given of a desire to reciprocate this policy fully and cordially, and to liberate the people on both sides from the present oppressive restrictions.*"

The Committee lay some stress upon the fact that the United States, prior to the Treaty, levied \$1,300,000 on articles of Canadian "growth and produce," while Canada levied only \$200,000 on similar articles from the States. They seem to be aware that the natural inference would be, that their own people had, through free trade, saved \$1,300,000 annually, and should be pleased; and they, therefore, make the following remarks, under the head of—

"Value of Canadian Productions, increased twenty per cent. by the Treaty."

"Here the special operation of the laws of political economy is worthy of note. Superficially, it is said that the markets of Europe regulate

* By the Act of August, 1861, the discriminating duty appears to be reduced to ten per cent.

" for agricultural productions, the markets of the continent, and that the " duty remitted on Canadian products was a saving to the pockets of our " people ; but the products of Canada and our relative position and require- " ments are such, that the United States possess, to some extent, a monopoly " of the Canadian market, as purchasers of the products of the field. For " cattle, sheep, swine, the coarse grains, and certain kinds of lumber, we " constitute for Canada the only market worthy of naming ; and the wheat " of Canada, from its peculiar adoption to our uses, was largely sold to us " before the Treaty. Of the large amount of wheat received at Toronto, the " Metropolis of Upper Canada, in 1859, the last year of which we possess " any authentic statistics on the subject, which have been published, only " two per cent. were sent *via* the St. Lawrence, the rest having been " received at Oswego and other American ports ; * and that the duties (of " 20 per cent.) were, in effect, paid by the Canadians prior to the treaty, " is incontrovertibly established by the Report of the Select Committee on " Commerce, appointed by the Legislative Assembly of Canada, in 1858, " testifying that the effect of the repeal of discriminating duties on " grain imported into Great Britain, was ' to depreciate the value of all " articles grown or produced in Canada, 20 per cent. under the value of " like articles grown or produced in the United States, and this difference " in value continued up to the year 1854, (the year of the treaty,) a period " of nearly nine years.' "

The Committee must certainly have felt their argument to be essentially faulty, when they feel it necessary to claim for America a special and exclusive application of the laws of political economy, contrary to those which govern the rest of the world. And the undersigned considers it quite needless, in addressing Your Excellency, to enter upon any argument upon a subject upon which all writers are now agreed. It is, however, true, that for certain articles, such as cattle, horses, and coarse grains, the New England States form the market ; and the demand there regulates the price. And it is abundantly evident, that if, by artificial burdens, the supply from Canada is excluded, the price must rise, either till it reaches a rate that will permit importation, or till the higher price attracts, at greater cost, an increased supply from more remote regions of the Union. The consumers being the intelligent manufacturers and commercial men of New England, are to well skilled in political economy, not to know that this rise of price, thus artificially created, does not affect only the quantity supplied from Canada, but attaches itself to the whole consumption. The law of political economy, which fixes the value or price of the home produced article, at that at which the deficiency in it can be supplied from elsewhere, applies quite as strongly to New England as to Great Britain ; and though the United States might undoubtedly affect the value of those articles of Canadian produce, for which it may be said New England affords the market, yet the burthen would in reality fall upon Americans, to an extent vastly beyond the injury inflicted upon Canadians.

It may, however, not be amiss to point out how small a proportion of the exports from Canada to the United States are governed by this market ; wheat, flour, corn, peas and lumber would not be sensibly affected by any

duty imposed by the United States. The disturbance of trade would, doubtless, for a time affect their price in Canada, but this would not be permanent. In the article of lumber objection may be taken to this statement; but it is admitted now that the United States do not produce anything approaching their consumption and must import from Canada, the duty would, therefore, necessarily be paid by the consumer; the following Table illustrates the state of trade in Free Goods for the last three years:

STATEMENT shewing the Total Value of the undermentioned Articles exported to all Countries and to the United States, during the years 1859, 1860 & 1861.

	1859.		1860.		1861.	
	Total Amount.	United States.	Total Amount.	United States.	Total Amount	United States.
Wheat, Flour and Corn...	\$ 4,342,291	\$ 3,584,031	\$ 9,564,484	\$ 6,483,994	\$ 14,560,111	\$ 6,566,582
Other Agricultural products.	2,997,507	2,694,320	4,694,741	3,529,805	3,684,520	2,137,554
Timber and Lumber.....	8,556,691	3,301,819	10,051,147	3,846,611	8,693,638	2,065,870
Animals.....	2,014,833	2,014,203	2,048,005	2,047,745	1,397,034	1,396,994
All other Articles.....	5,191,056	2,327,941	6,003,083	2,519,813	6,381,945	2,219,427
Totals.....	23,102,378	13,922,314	32,361,460	18,427,968	34,717,248	14,386,427

The Committee attach weight to a statement, that of wheat, received at Toronto in 1859, only 2 per cent. went *via* the St. Lawrence. The undersigned doubts the accuracy of this statement, especially as large quantities went eastward by the Grand Trunk Railway; but whether correct or not as regards a single port, the real state of the case can only be ascertained by a comparison of the whole exports by the St. Lawrence and by American channels, which as shewn above, gives the larger quantity to the St. Lawrence.

The undersigned finds the following observations under the head of "Canadian Minister of Finance officially avows a policy adverse to Reciprocity with the United States."

"It was indeed expected, when the treaty was made, that Canada "would continue to impose moderate duties upon American manufactures; "but if at that time she had announced a determination to enact laws *especially discriminating against all forms of our industry*, except those which "are nominated in the bond, the benefits we have conferred upon her would "never have been granted, nor can she expect their continuance beyond the "time required by the treaty.—Yet this tendency and intention to isolate "herself and exclude us, except so far as we may be purchasers of her "products, was not only commonly proclaimed by a large party in the "Province, but was officially avowed by the Canadian Minister of Finance, "and various alterations have been made in the *method of levying duties*, "on merchandise of foreign origin, for the avowed purpose of checking the "trade of New York and Boston."

It is a matter of surprise and regret, that the Committee should have permitted themselves to make such a charge as is contained above. No policy has been avowed or acted upon, "especially discriminating against all forms of our industry," nor has the Minister of Finance ever held or expressed a sentiment adverse to reciprocity with the United States. The Customs Laws of Canada apply equally and *without discrimination* to goods imported from Great Britain, the United States, and every foreign country. It can scarcely be seriously meant as a cause of complaint that American goods are not admitted on more favourable terms than those of Great Britain, which forms the great market for our produce, with whom we are connected by ties of allegiance and affection, and by whom Canada is protected from all foreign foes. The utmost that the United States can ask, would seem to be admission on equal terms with our own fellow subjects, and this they have. But probably the real essence of the complaint is to be found in the hope expressed by the Minister of Finance, that duties required for revenue, might incidentally encourage the production of certain articles in Canada now imported. These words referred to above were—

"The fiscal policy of Canada has invariably been governed by consideration of the amount of Revenue required. It is no doubt true that a large and influential party exists, who advocate a Protective policy, but this policy has not been adopted by either the Government or Legislature, although the necessity of increased taxation for the purposes of Revenue has to a certain extent compelled action in partial unison with their views, and has caused more attention to be given to the proper adjustment of the duties, so as neither unduly to stimulate nor depress the few branches of manufacture which exist in Canada. The policy of the present Government in readjusting the Tariff has been, in the first place to obtain sufficient Revenue for the public wants; and secondly, to do so, in such a manner as would most fairly distribute the additional burthens upon the different classes of the community; and it will undoubtedly be a subject of gratification to the Government if they find that the duties, absolutely required to meet their engagements, should incidentally benefit and encourage the production in the country of many of those articles which we now import. The Government have no expectation that the moderate duties imposed by Canada can produce any considerable development of manufacturing industry; the utmost that is likely to arise, is the establishment of works requiring comparatively unskilled labor, or of those competing with American makers, for the production of goods which can be equally well made in Canada, and which a duty of 20 per cent will no doubt stimulate. That these results should flow from the necessity of increased taxation, is no subject of regret to the Canadian Government, nor can it be alleged as any departure on their part from the recognized sound principles of trade, as it will shortly be shewn that the Government were compelled to obtain increased Revenue, and it is believed that no other course could be relied on for this result than that adopted."

These words are those complained of as indicating a policy "especially discriminating against all forms of our industry," and the undersigned cannot avoid expressing his surprise that the Committee should take umbrage at the expression of a hope that duties absolutely necessary for

revenue, might give encouragement to some branches of industry, when the whole commercial policy of the United States has been in this direction, and duties imposed for the express purpose of protection. The Committee, in speaking of a policy "adverse to Reciprocity," cannot surely have studied their own Tariff for the last thirty years, in which they will never find one instance up to this moment, when the manufactures of Canada, coarse and rude as they might be, have been admitted into the United States on any thing like as favourable terms as their goods have invariably been admitted into Canada; when the United States are prepared to place their Tariff on Canadian goods as low as our Tariff is on theirs, it will be in a more logical position to make complaint of want of reciprocity. Canada has always been, except on the articles under the present Reciprocity Treaty, absolutely debarred by high duties from the American market, and the policy of isolation with which the Committee charge her, is that of the United States.

The Committee further go on in a subsequent part of their Report to say:

**"OFFICIAL AVOWAL OF DISCRIMINATING DUTIES AGAINST THE MERCHANTS
" AND CARRIERS OF THE UNITED STATES.**

" Mr. Galt thus explains the change in the method of levying duties " so as to divert trade from the ports of the United States:

" By extending the *ad valorem* principle to all importations, and " thereby encouraging and developing the direct trade between Canada and all foreign countries by sea, and so far benefiting *the shipping interests of Great Britain*—an object which is partly attained through " the duties being taken upon the value in the market where last bought— " the levying of specific duties for several years had completely diverted " the trade of Canada in teas, sugars, &c., to the American markets, (our " Atlantic cities,) and had destroyed a very valuable trade which formerly existed from the St. Lawrence to the lower provinces and West Indies. It was believed that the competition of our canals and railroad systems, *via* Portland, together with the improvements in the navigation of the Lower St. Lawrence, justified the belief that the supply of Canadian wants might be once more made by sea, and the benefits of this commerce obtained for our own merchants and forwarders. Under this conviction, it was determined by the government to apply the principle of *ad valorem* duties."

" SPECIAL EXEMPTIONS IN FAVOR OF THE GRAND TRUNK RAILROAD.

" In pursuance of this discriminating system, it was also provided " (see Consolidated Statutes of Canada, chap. 17, sec. 24) that the Governor of Canada, by a departmental order, might discriminate in favor of particular routes through the United States—a singular violation of the comity or hospitality of the United States in extending unusual facilities " not required by any treaty for the transfer of goods on the Grand Trunk Railroad, *via* Portland, into Canada."

It certainly required some boldness on the part of the Committee to make the foregoing statements matters of complaint; but it may be well to dispose of the latter extract first, by the simple statement that had the Committee been ingenuous enough to have given the date of the Statute, Consolidated Statutes, chapter 17th, section 24, stated therein, it would have appeared as passed in 1853, more than a year *before* the *Reciprocity Treaty*, and consequently had nothing to do with recent action; moreover so far from being restricted to the Grand Trunk Railway from Portland, the departmental orders upon it apply equally and without discrimination to every canal, railway, or other route between the two countries.

In regard to the former extract, complaining of the method of levying duties, it is almost sufficiently explanatory, the fact being that at the time of passing the Reciprocity Treaty and before it—the duties on tea, sugar and molasses had been either wholly *ad valorem* or mixed; subsequently the predecessor of the undersigned adopted the specific system, which was lately again changed, with the view, as stated, of encouraging direct importation, and British and colonial shipping and merchants, an object for which it is not considered necessary to offer either defence or apology to the United States. It is, however, wholly untrue to represent this change as discriminating against the United States forwarders, canal or railway interests, as the law permits a cargo of sugar or part thereof, &c., to be imported *via* New York or Boston, on precisely the same terms as *via* Montreal, and thereby places both routes on a footing of fair competition.

The complaint of the Committee is, however, the more disingenuous as they conceal the fact, that the *ad valorem* system of Canada is in this respect *precisely their own*, as regards goods generally, while in the case of the United States, no tea or sugar could be imported unless it came direct by an American vessel, except on payment of 20 per cent duty; thus conclusively establishing a discriminating duty of great weight against Canadian trade.* Americans have always been able to sell teas to Canada at the same rate of duty whether sent by Quebec or by Toronto, but Canadians could not sell teas to the United States, without payment of 20 per cent *more duty*, than if imported at New York. It is difficult to comprehend the precise views held by the Committee on the subject of Reciprocity, when they make that a matter of complaint against Canada, which has been, to a much greater degree, their own uniform system.

But so far from pursuing a policy of isolation, Canada has certainly, during the tenure of office by the undersigned, followed one of the utmost commercial liberality. With the single exception of an increase of duty on certain goods from 15 to 20 per cent, rendered absolutely necessary by the absence of all other available sources of revenue; no act of Canada can be cited, which is not in the direction of developing commerce.

* By the U. S. Customs Act of August, 1861, the previous discrimination has been altered. It is therein provided, "That all articles, goods, wares and merchandise, imported from beyond the Cape of Good Hope in foreign vessels, not entitled by reciprocal treaties to be exempt from discriminating duties, tonnage and other charges; and all other articles, goods, wares and merchandise, not imported direct from the place of their growth or production, or in foreign vessels, entitled by reciprocal treaties to be exempt from discriminating duties, tonnage and other charges, shall be subject to pay, in addition to the duties imposed by this Act, 10 per centum *ad valorem*; provided, that this rule shall not apply to goods, wares and merchandise imported from beyond the Cape of Good Hope in American vessels."

It may be sufficient to instance the perfect freedom of the St. Lawrence from the great lakes to the ocean—the absence of light dues—the repeal of tonnage dues on Lake St. Peter—the abolition of tolls on all vessels, whether American or Canadian—the opening of extensive districts, east and west, free from all customs dues whatever—the encouragement of trade with France and the Mediterranean by a marked reduction of previously very high duties on wine, dried fruits, &c. The policy of the undersigned has been not by legislation to endeavour to force trade as has been done in the United States, but to invite it by the removal of all artificial barriers, and to seek in the increasing business attracted to Canada a compensation for the sacrifices made. He has believed that the various petty burdens placed at different points of the St. Lawrence in the shape of dues, tolls, &c., amounted to a serious barrier to trade, and he has sought by their removal to make the St. Lawrence, the favorite, as it is the natural outlet for the vast regions around the great lakes. That this policy has been thus far attended by a certain measure of success is shewn by the following table, shewing the tonnage and business of the St. Lawrence for the three years 1857, 8 and 9, prior to the abolition of the tolls, and for 1860-1.

STATEMENT of the Value of Exports and Imports *via* the St. Lawrence, with the tonnage of Vessels, Inwards and Outwards, during the years 1857 to 1861, inclusive.

	Value of Exports.	Value of Imports.	Tonnage of Vessels.	
			Inwards.	Outwards.
1857.....	13,756,787	14,561,884	748,425	731,367
1858.....	9,727,413	10,795,077	613,813	632,046
1859	8,821,662	11,549,068	641,662	640,571
1860.....	14,037,403	13,548,665	831,434	821,791
1861	22,524,735	17,249,055	1,087,128	1,059,667

N. B.—Of the Exports of 1861, no less than \$3,505,511 were the value of Goods Exported from the Western States *via* the St. Lawrence.

The undersigned has no fear that this policy is misunderstood in the great Western States of the Union; on the contrary, the Boards of Commerce, west of Buffalo, universally approve it, and rejoice in the facilities which Canada has opened to their trade. Its probable success has, however, excited the apprehensions of the Great Canal and Forwarding interests of New York, and they now seek to represent that policy as inimical to the United States, which has really made the St. Lawrence as free to their craft as to those of Canada. It is a singular charge to make of discrimination on our part against them, that we do not permit one

section of our public works to be used for purposes exclusively beneficial to them, when they absolutely and contrary to the engagements of the treaty, debar any Canadian vessel from entering their waters, if we except Lake Michigan specially mentioned in the Treaty. Surely Canada does enough for them, when she places them on precisely the same footing as she does her own vessels, and it is a novel doctrine that because the whole St. Lawrence is made free, therefore, an injury is done to the New York route. The remedy is simple, and in their own hands ; let them do as Canada has done, repeal the tolls on their canals, and admit Canadian vessels to ply on them, and then the desired state of "fair competition" will have arisen. But the Committee must have formed but a low estimate of the intelligence of their own people in the West, when they make it a subject of complaint against Canada that she has opened the St. Lawrence freely to their trade. The undersigned apprehends that the inhabitants of those great States will be much more likely to demand from their own Government, an equitable application of their own customs laws, so as to permit them to import direct *via* the St. Lawrence, and to buy in the Canadian market, rather than to join with the Committee in requiring a return to a system by which the entire West has hitherto been held in vassalage to the State of New York.

The Committee on Commerce have made several extracts from the expressed opinions of the undersigned, where they could, taken singly, serve their purpose ; but he wholly denies that any fair interpretation of his sentiments would justify the use that has been made of them. The subject of the Canadian Tariff appears, however, to be either so little understood, or so studiously misrepresented, both in the United States and in England, that the undersigned proposes to offer a few remarks upon the causes for the repeated increase in Customs duties in Canada, and their operation, as he particularly desires to remove the misapprehension existing in England, where it is taken as a matter of course, that every increase in Customs duties must place the British manufacturer at increased disadvantage, as compared with a supposed local producer. The term "*supposed* local producer," is intentionally employed because the fact is, that there are no manufactures in Canada, beyond those minor ones, which every community must have ; and, consequently, the duty on cottons, silks, hardware, earthenware, &c., which are all imported, is necessarily paid by the Canadian consumer, and has no other effect on the Foreign Trade, than to diminish the ability to buy to the extent of the duty—a result that would equally follow if the same amount were obtained by direct taxation or any other mode, from the same individuals. The amount available for Foreign Trade, is only the balance of realized labour, after deduction of the amount required by the state ; and no diminution of the national fund for foreign purchases can be effected by Customs duties in contradistinction to other duties, unless they give an artificial value to goods made at home, which could be purchased cheaper abroad. Canada does not manufacture the articles she imports, to any appreciable extent ; and, therefore, her rates of Customs duties do not sensibly affect her imports, as is shewn by the annexed table of Imports of certain dutiable articles under the Tariff of 1859, and for the previous three years

STATEMENT shewing the Total Value of the undermentioned articles, and the proportion imported *via* the St. Lawrence, for the years 1857 to 1861 inclusive.

ARTICLES.	1857.		1858.		1859.		1860.		1861.	
	Total Amount.	Amount <i>via</i> St. Law- rence.								
Cottons.....	\$ 4,736.046	4,432.866	3,316.119	2,986.630	4,863.444	4,474.028	6,750.297	5,055.676	5,890.777	5,123.076
Earthenware, Glassware, &c.	577.954	443.147	386.875	294.545	418.464	317.647	502.790	361.797	618.896	429.763
Fancy Goods.	608.172	490.774	268.535	199.189	318.143	242.506	265.987	195.034	328.391	245.419
Iron and Hardware of all kinds.	2,293.331	1,245.560	3,491.510	2,765.415	2,861.761	2,107.134	3,048.964	2,137.659	2,851.014	1,943.398
Silks, Satins, and Velvets.	1,025.839	982.153	658.090	579.862	901.856	855.007	903.958	865.978	921.152	875.196
Woolens.	3,773.509	3,466.518	2,557.118	2,401.718	3,453.848	3,147.620	3,824.350	3,498.003	4,271.276	4,003.077

The point to which the undersigned particularly desires to draw the attention of political economists in Great Britain, is, that an increase of Customs duties does not *necessarily* injuriously affect Foreign Trade, provided it be restrained within certain limits. And the deduction he proposes to draw from this theorem, is, that such limits have not been exceeded by Canada.

The undersigned commences with two propositions which will not be denied, first, that the consumer, under all circumstances, pays the entire cost of the article he uses, and secondly, that his ability to buy depends upon the *net results* to him of his labour after its product has gone into consumption in any form. Assuming these points as necessarily conceded, it is evident that in a new unsettled country, such as Canada was, and to a certain extent, still is, without roads, without canals, without railroads, with an uncertain, long and perilous communication with Great Britain ; the costs of British goods at the early settlement of the country was enhanced by the doubtful credit of its merchants, high ocean freight, high insurance, heavy charges for lighterage, and finally after the goods reached Canada, by the enormous charges consequent on a trade conducted in the most primitive way, by the most primitive conveyances, and subject to the profits demanded by the numerous parties through whose hands it passed before it reached the ultimate consumer. Equally were the still more bulky articles produced and forwarded in payment for goods, subjected to similar deduction. Consequently not very many years ago, the settler in Upper Canada, and in many parts of Lower Canada, paid the maximum for his goods and obtained the minimum for his produce.

It has been remarked that legitimate protection, which home manufacturers may enjoy, is that afforded by the cost of bringing foreign goods into competition. It must therefore be admitted that under the circumstances in which Canada was then placed, this *legitimate* protection was necessarily very large, and that British goods were at a very great disadvantage. In very many cases it may, with perfect truth, be stated that the cost of the goods imported was enhanced to the consumer one hundred per cent., and equally that he only obtained one half the ultimate price, or much less, of his produce in England. At the time to which reference is made, the duty on British goods, generally, was two and half per cent., but the price to the consumer was raised enormously by the causes referred to, and his means of purchase in an equally important degree diminished. Now, under these circumstances, it cannot admit of a doubt, that if by an increase of five per cent, on the duty, a reduction of ten per cent. on the other charges were produced, the benefit would accrue equally to the British manufacturer and to the consumer, and the indirect but *legitimate* protection to the home manufacturer would be diminished ; the consumer would pay five per cent. more to the Government but ten per cent. less to the merchant and forwarder. In this illustration lies the whole explanation of the Canadian Customs. The Government has increased the duties for the purpose of enabling them to meet the interest on the public works necessary to reduce all the various charges upon the imports and exports of the country. Light houses have been built, and steamships subsidized to reduce the charges for freight and insurance, the

St. Lawrence has been deepened, and the canals constructed, to reduce the cost of inland navigation to a minimum. Railways have been assisted to give speed, safety and permanency to trade interrupted by the severity of winter. All these improvements have been undertaken with the two fold object of diminishing the cost to the consumer of what he imports and of increasing the *net* result of the labour of the country when finally realized in Great Britain. These great improvements could not be effected without large outlays : and the burthen necessarily had to be put either through Direct Taxation ; or by Customs Duties on the goods imported ; or upon the trade by excessive tolls corresponding with the rates previously charged. Direct Taxation was the medium employed through the local Municipalities, for the construction of all minor local works, roads, court houses and gaols, education, and the vast variety of objects required in a newly settled country ; and this source of taxation has thus been used to the full extent which is believed practicable without producing serious discontent. No one can, for a moment, argue that in an enlightened age, any Government could adopt such a clumsy mode of raising money, as to maintain excessive rates of tolls, nor would it have attained the object, as American channels of trade were created simultaneously, that would then have defied competition. The only effect, therefore, of attempting such course would have been to give the United States the complete control of our markets, and virtually to exclude British goods. The only other course was therefore adopted, and the producer has been required to pay, through increased custom duties, for the vastly greater deductions he secured through the improvements referred to. What then has been the result to the British manufacturer? His goods are, it is true, in many cases subjected to 20 per cent. instead of $2\frac{1}{2}$ per cent. but the cost to the consumer has been diminished in a very much greater degree, and the aggregate of cost, original price, duty, freight, and charges, are now very much less than when the duty was $2\frac{1}{2}$ per cent. and consequently the *legitimate protection* to the home manufacturer is to this extent diminished. Nor is this all, the interest of the British manufacturer is not merely that he shall be able to lay down his goods at the least cost to the consumer, but equally is he interested in the ability of the consumer to buy. Now this latter point is attained precisely through the same means which have cheapened the goods. The produce of Canada is now increased in value, exactly in proportion to the saving on the cost of delivering it in the market of consumption.

If the aggregate of cost to the consumer remained the same, now, as it was, before the era of Canals and Railroads in Canada, what possible difference would it make to the British manufacturers whether the excess over the cost in Great Britain, were paid to the Government, or to merchants and forwarders ? It would certainly not in any way affect the question of the protection to home manufacturers. But when it can be clearly shewn that by the action of the Government, in raising funds through increased Customs duties, the cost to the consumer is now very much less, upon what ground can the British manufacturer complain that these duties have been restrictive on his trade ?

The undersigned might truly point to the rapid increase in the population and wealth of Canada, arising from its policy of improvement, whereby its ability of consumption has been so largely increased. He might also shew that these improvements have in a great degree also tended to the rapid advance of the Western States, and to their increased ability to purchase British goods. He might point to the fact that the grain supplied from the Western States and Canada, keeps down prices in Great Britain, and therefore enables the British manufacturer to produce still cheaper. But he prefers resting his case, as to the propriety of imposing increased Customs duties, solely on the one point, that through that increase, the cost of British manufactured goods including duty, has been reduced to the Canadian consumer, and that consequently the increase has, in its results, viewing the whole trade, tended to an augmentation of the market for British goods.

The foregoing immediate remarks apply rather to Canadian trade with Great Britain, than with the United States; but in proof that the alterations from time to time of the tariff have not operated oppressively on American exports, there is now subjoined the following statements, with the remark that the last tariff, against which complaint is made, came into force in the summer of 1859:

STATEMENT of the value of Imports into Canada from the United States, for 12 years from 1850 to 1861 inclusive, distinguishing the Values upon which Customs Duties were paid, from the value of Free Goods, also the amount of Duty collected in each year, and the average per centage of Duty on dutiable Goods, and on the value of the whole Importations.

YEAR.	Total value of Imports.	Value of Duty paid Goods.	Amount of Duty paid.	Value of Free Goods.	Average per centage.	
					On Goods paying Duty.	On total value of Goods im- ported.
1850.....	\$ 6,594.860	\$ 5,803.732	\$ 1,009.814	\$ 791.128	18.43	16.22
1851.....	8,365.765	6,981.735	1,274.762	1,384.030	18.26	15.24
1852.....	8,477.693	7,613.003	1,433.195	864.690	18.82	16.90
1853.....	11,782.147	10,656.582	1,805.812	1,125.565	16.94	15.32
1854.....	15,533.098	13,449.341	2,209.173	2,083.757	16.42	14.22
1855.....	20,828.676	11,449.472	1,786.032	9,379.204	15.60	8.57
1856.....	22,704.509	12,770.923	2,059.826	9,933.588	16.13	9.07
1857.....	20,224.651	9,966.430	1,605.164	10,258.221	16.10	7.94
1858.....	15,635.565	8,473.607	1,611.711	7,161.958	19.02	10.31
1859.....	17,592.916	9,032.861	1,825.135	8,560.055	20.20	10.37
1860.....	17,273.029	8,526.230	1,759.928	8,746.799	20.64	10.19
1861.....	21,069.388	8,338.620	1,584.892	12,730.768	19.00	7.52

The above statement shews—Firstly, that the average amount of duty levied on dutiable imports from the United States, is the same as the average of the last twelve years, and that the variations have been very slight; Secondly, that including free goods, the rate per cent was lower

than any previous year, and much less than half what it was a few years ago ; Thirdly, that so far from American trade, in dutiable and free goods, having fallen off within the last three years, it has steadily increased, even under the disturbed state of affairs during 1861.

The Committee on Commerce, under the head of "Natural results of the Treaty and its abrogation," assume that the treaty was made with each province separately, saying that "each made its own bargain and received its separate equivalents." It is quite unnecessary to discuss the propriety of this statement, as, if true, it only serves to shew the unreasonable pretensions now set up by the Committee. But it may be well, in the interests involved, to point out the grave error into which they have fallen, in considering the treaty as only affecting the internal trade between the two countries. Canada is a maritime province of no small importance ; she possesses a larger extent of sea coast than either New Brunswick or Nova Scotia, and 15,000 men and boys are employed on her own coasts. The fisheries of the whole north coast of the Gulf of St. Lawrence, of all Anticosti, of the whole shores of Gaspé and Bonaventure, including one half of the Bay of Chaleurs, and the most valuable fishery of the whole Gulf, that of the Magdalen Islands, belong to Canada. Of the fishing rights conveyed under the treaty, the United States therefore enjoy from Canada fully one half, and if concessions were made in favor of the cereals of Western Canada, it should not be forgotten that Eastern Canada furnished her full share of the equivalents.

In connection with the question of the fisheries, it may not be amiss to point out the strange misapprehension which the Committee have formed of the effect of the free port of Gaspé, which manifestly must yield at least equal benefit to the vast number of American fishermen frequenting these waters as to Canadians, as one and all can now obtain from this district every needful supply free of all duty. As regards the free port on Lakes Huron and Superior, the object is simply to encourage the rapid settlement of a remote and comparatively inaccessible region, and it is believed, that the citizens of the United States in the same districts, would rejoice if their government exercised a similar paternal fostering policy towards them in their early struggles. In both cases the duration of the free ports is limited to a short term of years.

The Committee, in more than one portion of their report, take occasion to question the propriety of measures, purely internal in their nature. The undersigned cannot but regard this course as most unusual, and one to be avoided, the present position of the United States, suggesting rejoinders, which might at least be equally germane to the subject of the Reciprocity Treaty.

It is scarcely needful to offer any observation upon the Report of the Committee upon the "Relations of Great Britain and the Northern American Colonies," and "Differences between the British and Colonial Governments." Recent events have shewn that the existing "Relations" are highly prized on both sides, and the "Differences" referred to, have not extended beyond a discussion on the powers of Colonial Parliaments,

resulting in a manner attaching Canada still more warmly to her existing institutions. The excuse offered in effect by the Committee for remarks certainly foreign to their subject, is, that the "Differences" occurred upon a remonstrance by the Imperial Government against the Canadian Tariff, upon what may be called American grounds, they use the words p. 31—

"The Financial Minister of Canada carried into practical effect a policy avowedly restrictive, and *adverse to the interests of the United States.* To these efforts the Government of Great Britain, through the Duke of Newcastle, Secretary for the Colonies, objected in terms of force unusual in diplomatic correspondence. The reply of the Canadian Government was a declaration of complete self-control, or independence "in its financial affairs, and as regards its commercial relations with the United States." &c.

If the committee can be supposed to have read the correspondence to which they here make reference, it would be difficult too strongly to denounce the disingenuousness of the whole statement. But the undersigned is unwilling to attribute the entire misrepresentation of it to any other cause than ignorance, which he deeply regrets should have arisen, inasmuch as the whole of the papers were printed by order of the Canadian Parliament in 1860,* and were also very fully commented upon by the press at that time. The discussion with the Imperial Government was not because the tariff was supposed to be "adverse to the interests of the United States," but because the Chamber of Commerce of Sheffield complained that it was practically *discriminative in favor of the manufacturers of the United States*, as well as otherwise, in their opinion, objectionable. Their Memorial says among other things—

"We would remind Your Grace, in the second place, that while there is a protection in favor of Canadian Manufactures against Sheffield, of from 35 to 45 per cent., consisting of land carriage, freight, insurance, commission, shipping expenses, duty, &c., that owing to the close contiguity of, and cheap transit from, the competing seats of American industry, similar goods can be sent across the Canadian frontier by United States manufacturers at a cost of from 22½ to 25 per cent.

"It is therefore plain that the American manufacturer has actually an advantage over the Sheffield manufacturer of from 12½ to 15 per cent. "As this is a natural protection, however, and consequently one which remains about the same, be the Canadian duty what it may, we only name it to shew Your Grace how great the obstacles are, naturally, against which Sheffield has to struggle; and for the purpose of remarking, as another objection to any increase of duty, that it is *actually the interest of American Manufacturers that the Canadian duties should be raised*, since any hindrance or confusion caused to Sheffield manufacturers can only tend to divert the demand towards markets easier of access, and with which intercourse is more quickly exchanged than with Sheffield. It is important too, to remember, that the American

*Sessional Papers, No. 38, 1860.

"manufacturer has more than 1,000 miles of unguarded frontier over
"which he can smuggle with impunity."

The undersigned, in his reply to the Duke of Newcastle, had occasion to explain that so far from the Sheffield merchants being in a position to complain of advantages indirectly given to American competitors, they were not affected injuriously, and that in reality, if manufactures grew up under the tariff, they would compete rather with American than with Sheffield makers. The undersigned trusts the Committee will, by reference to the papers, satisfy themselves that the Duke of Newcastle never had the slightest difference with Canada on the subject of the duties imposed upon American goods, but rested his objections purely on British grounds. And the Committee will also find, in the same published correspondence, that the Imperial authorities, however much they disliked the increase of duties, admitted as regards the complaint of Sheffield that "there does not appear to be much ground for apprehending serious injury to the trade of Sheffield with Canada, from the recent increase of duty in that colony." And on the general question of the tariff, "My Lord thinks that the explanations given in Mr. Galt's report of the principles upon which it was framed, are on the whole satisfactory." Considering that these were the final conclusions of the Imperial Government, in a correspondence which commenced with a strong disapproval of the tariff, the Committee may, it is hoped, equally reconsider their expressed opinions. But in any event the undersigned must protest against their introducing the Imperial authorities as sharers of their view, that the tariff was especially "adverse to the interests of the United States."

It has been thus far the ungracious task of the Minister of Finance, to question in several important respects the Report of the Committee on Commerce. He cannot but feel that it has made unwarranted allusions to, and attacks upon the Government of Canada, and upon himself by name, and he deeply regrets that the Committee should have thus weakened the force of their final judgment in favor of the continuance and extension of the Treaty. The undersigned now gladly turns to the consideration of the advantages derived by both countries from the Treaty, and hopes that where both enjoy so much, neither may be led by the carping complaints of sectional interests, to attempt its destruction. The following official summary will show, at a glance, the immense interests depending on the Treaty, and will also prove how little cause either country has for real complaint.

STATEMENT showing the whole Trade in Imports and Exports between Canada and the United States, during eleven years.

YEARS.	Imports from United States into Canada.	Exports from Canada to United States.	Amount of the whole Trade.	
1851.....	\$ 8,365,764	\$ 4,071,544	\$ 12,437,308	
1852.....	8,477,693	6,284,520	14,762,213	
1853.....	11,782,144	8,936,380	20,718,524	
1854.....	15,533,096	8,649,000	24,182,096	Epoch of the Reciprocity Treaty.
1855.....	20,828,676	16,737,276	37,565,952	
1856.....	22,704,508	17,979,752	40,684,260	
1857.....	20,224,648	13,206,436	33,431,084	
1858.....	15,635,565	11,930,094	27,565,659	
1859.....	17,592,916	13,922,314	31,515,230	
1860.....	17,273,029	18,427,968	35,700,997	
1861.....	21,069,388	14,386,427	35,455,815	

If, to this statement of the Internal Trade of Canada, be added the value of American Fisheries in Canadian Waters, and also the Trade existing between the Lower Provinces and the United States, the result would show the marvellous activity given to commerce by this measure of Free Trade, and the extreme folly of all those who would needlessly seek to disturb it. Rather will the undersigned unite with the Committee on Commerce, and especially with the Chamber of Commerce of St. Paul, in seeking to find means for the developement of the international Trade. And entering upon the subject with a mutual desire to extend the number of articles for free admission, the undersigned feels every confidence that much greater scope could be given to the Treaty, without compromising on the one hand the Revenue interests of the United States, or on the other the just claims to an equality in the Canadian Market, which belongs both of right and of duty to Great Britain. The abolition of the Coasting Laws of both Countries on their Inland waters, the free purchase and sale of vessels, and the removal of all discrimination on the score of nationality, the extension of the privilege in both Countries of buying Foreign Goods in bond, or by return of drawback, the addition to

the free list of all Wooden Wares, Agricultural Implements, Machinery, Books, and many other articles peculiarly of American Manufacture, and the assimilation of the Patent Laws, all these and many other topics naturally offer themselves for consideration, and do not appear calculated to cause any serious opposition.

The Committee and also the Chamber of Commerce of St. Paul have not, however, made any practical suggestion, but have advocated the adoption of a system on this Continent similar to that of the Zoll-Verein in Germany.

The undersigned can have no hesitation in stating to your Excellency, that in his opinion the project of an American Zoll-Verein, to which the British Provinces should become parties, is one wholly inconsistent with the maintenance of their connection with Great Britain, and also opposed on its own merits, to the interest of the people of these Provinces. It requires no great foresight to perceive, that a Zoll-Verein means the imposition of duties by the confederacy, on articles produced outside of the confederation, coupled with Free Trade among its members. In other words, Canada would be required to tax British goods, while she admitted those of the United States free, a state of things that could only accompany a severance of all the ties of affection, nationality and interest that now unite Canada to the Mother Country. It would also be essentially against the interests of Canada—Great Britain is to a far greater degree than the United States, the market for Canadian produce,—and commercial relations should therefore be extended with her, certainly not interfered with. Besides in the consideration of the rate of duties to be levied on imports, the United States, as being the more powerful Country, would necessarily impose her views upon the confederation, and the result would be a Tariff not as now based upon the simple wants of Canada, but upon those of a Country now engaged in a colossal war, which must for many years demand enormous contributions from the people, among the means of obtaining which Customs duties will certainly rank as an important source of revenue.

The Minister of Finance therefore respectfully reports that he cannot recommend Your Excellency, to submit the project of a Zoll-Verein to the favorable notice of Her Majesty's Government. But he considers that there are many respects in which it would be found beneficial to extend the operation of the Reciprocity Treaty with the United States, and he recommends that the subject be brought before the Imperial Government with a view to such action hereafter, as may meet with Her Majesty's approval.

A. T. GALT,
Minister of Finance.

Finance Department,
Quebec, 17th March, 1862.

APPENDIX.

RECIPROCITY TREATY BETWEEN THE UNITED STATES AND GREAT BRITAIN.



HER MAJESTY, THE QUEEN OF GREAT BRITAIN, being equally desirous with the GOVERNMENT OF THE UNITED STATES to avoid further misunderstanding between their respective Subjects and Citizens, in regard to the extent of the right of Fishing on the Coasts of British North America, secured to each by Article I. of a Convention between the United States and Great Britain, signed at London on the 20th day of October, 1818, and being also desirous to regulate the Commerce and Navigation between their respective Territories and People, and more especially between Her Majesty's Possessions in North America and the United States in such manner as to render the same reciprocally beneficial and satisfactory, have respectively named Plenipotentiaries to confer and agree thereupon, that is to say : Her Majesty, the Queen of the United Kingdom of Great Britain and Ireland, JAMES, Earl of Elgin and Kincardine, Lord Bruce, and Elgin, a Peer of the United Kingdom, Knight of the Most Ancient and Most Noble Order of the Thistle, and Governor General in and over all Her Britannic Majesty's Provinces on the Continent of North America, and in and over the Island of Prince Edward ; and the President of the United States of America, WILLIAM L. MARCY, Secretary of State of the United States, who, after having communicated to each other their respective full Powers, found in good and due form, have agreed upon the following Articles :

ARTICLE I.

It is agreed by the High Contracting Parties, that in addition to the liberty secured to the United States fishermen by the above mentioned Convention of October 20, 1818, of taking, curing, and drying fish on certain Coasts of the British North American Colonies therein defined, the inhabitants of the United States shall have in common with the subjects of Her Britannic Majesty, the liberty to take fish of every kind, except shell fish on the sea-coasts and shores, and in the bays, harbors, and creeks of Canada, New Brunswick, Nova Scotia, Prince Edward's Island, and of the several Islands thereunto adjacent, without being restricted to any distance from the shore ; with permission to land upon the coasts and shores of those Colonies and the Islands thereof, and also upon the Magdalen Islands for the purpose of drying their nets and curing their fish : provided that in so doing, they do not interfere with the rights of private property or British fishermen in the peaceable use of any part of the said coast in their occupancy for the same purpose.

It is understood that the above mentioned liberty applies solely to the sea fishery, and that the salmon and shad fisheries, and all fisheries in rivers, and the mouths of rivers, are hereby reserved exclusively for British fishermen.

And it is further agreed, that in order to prevent or settle any disputes as to the places to which the reservation of exclusive right to British fishermen contained in this Article, and that of fishermen of the United States contained in the next succeeding Article, apply, each of the High Contracting Parties, on the application of either to the other, shall, within six months thereafter, appoint a Commissioner. The said Commissioners before proceeding to any business, shall make and subscribe a solemn declaration that they will impartially and carefully examine

and decide to the best of their judgment, and according to justice and equity, without fear, favor or affection to their own country, upon all such places as are intended to be reserved and excluded from the common liberty of fishing under this and the next succeeding Article; and such declaration shall be entered on the record of their proceedings. The Commissioners shall name some third person to act as an Arbitrator or Umpire in any case or cases, on which they may themselves differ in opinion. If they should not be able to agree upon the name of such third person, they shall each name a person, and it shall be determined by lot which of the two persons so named shall be the Arbitrator or Umpire in cases of difference or disagreement between the Commissioners. The person so to be chosen to be Arbitrator or Umpire shall, before proceeding to act as such in any case, make and subscribe a solemn declaration in a form similar to that which shall already have been made and subscribed by the Commissioners, which shall be entered on the record of their proceedings. In the event of the death, absence, or incapacity of either of the Commissioners or of the Arbitrator or Umpire, or of their or his omitting, declining or ceasing to act as such Commissioner, Arbitrator, or Umpire, another and different person shall be appointed or named as aforesaid to act as such Commissioner, Arbitrator, or Umpire, in the place and stead of the person so originally appointed or named as aforesaid, and shall make and subscribe such declaration as aforesaid.

Such Commissioners shall proceed to examine the Coasts of the North American Provinces and of the United States embraced within the provisions of the first and second Articles of this treaty, and shall designate the places reserved by the said Articles from the common right of fishing therein.

The decision of the Commissioners and of the Arbitrator or Umpire shall be given in writing in each case, and shall be signed by them respectively.

The High Contracting Parties hereby solemnly engage to consider the decision of the Commissioners conjointly, or of the Arbitrator or Umpire, as the case may be, as absolutely final and conclusive in each case decided upon by them or him, respectively.

A R T I C L E I I .

It is agreed by the High Contracting Parties that British subjects shall have, in common with the citizens of the United States, the liberty to take fish of every kind, except shell-fish, on the Eastern sea coasts and shores of the United States, North of the 36th parallel of North Latitude, and on the shores of the several Islands therunto adjacent, and in the bays, harbors, and creeks of the said sea coasts and shores of the United States and of the said Islands, without being restricted to any distance from the shore, with permission to land upon the said coasts of the United States and of the Islands aforesaid, for the purpose of drying their nets and curing their fish: provided that in so doing they do not interfere with the rights of private property, or with the fishermen of the United States in the peaceable use of any part of the said coasts in their occupancy for the same purpose.

It is understood that the above mentioned liberty applies solely to the sea fishery, and that salmon and shad fisheries, and all fisheries in rivers and mouths of rivers are hereby reserved exclusively for fishermen of the United States.

A R T I C L E I I I .

It is agreed, that the Articles enumerated in the Schedule hereunto annexed, being the growth and produce of the aforesaid British Colonies or of the United States, shall be admitted into each Country respectively free of duty:

S C H E D U L E .

- Grain, flour, and breadstuffs of all kinds.
- Animals of all kinds.
- Fresh smoked and salted meats.
- Cotton-wool, seeds and vegetables.
- Undried fruits, dried fruits.
- Fish of all kinds.
- Products of fish and of all other creatures living in the water.
- Poultry, eggs.
- Hides, furs, skins or tails undrested.

Stone or marble in its crude or unwrought state.

Slate.

Butter, cheese, tallow.

Lard, horns, manures.

Ores of metals of all kinds.

Coal.

Pitch, tar, turpentine, ashes.

Timber and lumber of all kinds, round, hewed, sawed, unmanufactured in whole or in part.

Firewood.

Plants, shrubs and trees.

Pelts, wool.

Fish-oil.

Rice, broomcorn and bark,

Gypsum, ground or unground.

Hewn or wrought or unwrought burr or grindstones.

Dye-stuffs.

Flax, hemp, and tow unmanufactured.

Unmanufactured tobacco.

Rags.

ARTICLE IV.

It is agreed that the citizens and inhabitants of the United States shall have the right to navigate the river St. Lawrence and the Canals in Canada, used as the means of communicating between the Great Lakes and the Atlantic Ocean, with their vessels, boats and crafts, as fully and freely as the subjects of Her Britannic Majesty, subject only to the same tolls and other assessments as now are or may hereafter be exacted of Her Majesty's said subjects, it being understood however, that the British Government retains the right of suspending this privilege on giving due notice thereof to the Government of the United States.

It is further agreed that if at any time the British Government should exercise the said reserved right, the Government of the United States shall have the right of suspending, if it think fit, the operation of Article III of the present treaty in so far as the Province of Canada is affected thereby, for so long as the suspension of the free navigation of the river St. Lawrence or the Canals may continue.

It is further agreed that British subjects shall have the right freely to navigate Lake Michigan with their vessels, boats and crafts, so long as the privilege of navigating the river St. Lawrence secured to American citizens by the above clause of the present Article shall continue, and the Government of the United States further engages to urge upon the State Governments to secure to the subjects of Her Britannic Majesty, the use of the several State Canals on terms of equality with the inhabitants of the United States.

And it is further agreed that no export duty or other duty shall be levied on lumber or timber of any kind cut on that portion of the American territory in the State of Maine, watered by the river St. John and its tributaries and floated down that river to the sea, when the same is shipped to the United States from the Province of New Brunswick.

ARTICLE V.

The present treaty shall take effect as soon as the laws required to carry it into operation shall have been passed by the Imperial Parliament of Great Britain and by the Provincial Parliaments of those of the British North American Colonies which are affected by this treaty on the one hand, and by the Congress of the United States on the other. Such assent having been given, the treaty shall remain in force for ten years from the date at which it may come into operation, and further until the expiration of twelve months after either of the High Contracting Parties shall give notice to the other of its wish to terminate the same; each of the High Contracting Parties being at liberty to give such notice to the other at the end of the said term of ten years, or at any time afterwards.

It is clearly understood, however, that this stipulation is not intended to affect the reservation made by Article IV. of the present treaty with regard to the right of temporarily suspending the operation of Articles III. and IV. thereof.

ARTICLE VI.

And it is hereby further agreed that the provisions and stipulations of the foregoing Articles shall extend to the Island of Newfoundland, so far as they are applicable to that Colony. But if the Imperial Parliament, the Provincial Parliament of Newfoundland, or the Congress of the United States shall not embrace in their laws enacted for carrying this treaty into effect, the Colony of Newfoundland, then this Article shall be of no effect, but the omission to make provision by law to give it effect, by either of the legislative bodies aforesaid shall not in any way impair the remaining Articles of this treaty.

ARTICLE VII.

The present treaty shall be duly ratified and the mutual exchange of ratifications shall take place in Washington within six months from the date hereof, or earlier if possible.

In faith whereof, We, the respective Plenipotentiaries have signed this treaty and have hereunto affixed our Seals.

Done in triplicate, at Washington, the Fifth day of June, Anno Domini, one thousand eight hundred and fifty-four.

(Signed)

ELGIN & KINCARDINE,
L. S.

W. L. MARCY,
L. S.

Certified Copy,

L. OLIPHANT, Priv. Secy.

[COPY.]

WASHINGTON, February 24th, 1862.

MY LORD,

I have the honor to transmit to your Excellency two copies of a Memorial from the Chamber of Commerce of St. Paul, Minnesota, respecting the Reciprocity Treaty ; and two copies of a Report of the Committee on Commerce of the House of Representatives on the same Treaty.

I have, &c.,

(Signed),

LYONS.

HIS EXCELLENCY,
VISCOUNT MONCK.

MEMORIAL
OF THE
CHAMBER OF COMMERCE, ST. PAUL, MINN.
REMONSTRATING

Against any action at the present session of Congress suspending the treaty between the United States and Great Britain of June 5, 1854, commonly known as the Reciprocity Treaty.

JANUARY 27, 1862.—Referred to the Committee on Foreign Relations; motion to print referred to the Committee on Printing.

JANUARY 29, 1862.—Reported in favor of printing.

The remonstrance of James W. Taylor and others, of the St. Paul, Minnesota, Chamber of Commerce, against any action at the present session of Congress suspending the treaty between the United States and Great Britain of June 5, 1854, commonly known as the Canadian Reciprocity Treaty, or proposing in any manner to impair the terms or obligations thereof, unless such action is the result of a new negotiation and agreement between the respective governments.

At a special meeting of the St. Paul Chamber of Commerce, held at the rooms of the United States district court on the 17th instant, W. R. Marshall, president, occupied the chair, and S. K. Putnam was appointed secretary *pro tem.*

James W. Taylor presented the following memorial, which, on motion of J. W. Cathecart, was adopted, and directed to be forwarded to the Minnesota Congressional Delegation :

To the Senate and House of Representatives of the United States of America in Congress assembled :

The Chamber of Commerce of St. Paul, Minnesota, would respectfully remonstrate against any action at the present session of Congress suspending the treaty between the United States and Great Britain of June 5, 1854, commonly known as the Reciprocity Treaty, or proposing in any manner to impair the terms or obligations thereof, unless such action is the result of a new negotiation and agreement between the respective governments.

I. Your memorialists prefer to rest this remonstrance upon the single consideration of national good faith—the scrupulous regard for treaty obligations which the American government has always observed and will continue to observe.

For this purpose we invite attention to the fifth article of the treaty, which follows :

ARTICLE 5. The present treaty shall take effect as soon as the laws required to carry it into operation shall have been passed by the Imperial Parliament of Great Britain, and by the Provincial Parliaments of those of the British North American Colonies which are affected by this treaty on the one hand and by the Congress of the United States on the other. Such assent having been given, the treaty shall remain in force for ten years from the date at which it may come into operation, and further, until the expiration of twelve months after either of the high contracting parties shall give notice to the other of its wish to terminate the same ; each of the high contracting parties being at liberty to give such notice to the other at the end of said term of ten years, or at any time afterwards.

This treaty was promulgated by President Pierce on the 11th of September, 1854. The period from its date to promulgation, June 5 to September 11, was occupied in the passage of laws to carry it into operation by the United States, England and the provinces interested. Under a special article (article 6) the treaty did not become applicable to the Island of Newfoundland until December 12, 1855.

From the date of President Pierce's proclamation, September 11, 1854, the period of ten years must therefore be computed, within which the operation of the treaty is removed beyond the power of Congress. The life and obligation of the treaty extends to September 11, 1864, and neither of the contracting parties is at liberty even to give notice of its termination until after the "end of the said ten years." Twelve months must also elapse before such notice can take effect.

There is one exception, however, to this conclusion. By the first clause of Article IV it was agreed "that the citizens and inhabitants of the United States shall have the right to navigate the river St. Lawrence, and the canals in Canada used as the means of communicating between the great lakes and the Atlantic Ocean, with their vessels, boats and crafts, as fully and freely as the subjects of Her Britannic Majesty. * * It being understood, however, that the British government retains the right of suspending this privilege on giving due notice thereof to the government of the United States."

Article IV then proceeds to provide that if at any time the British government shall suspend this freedom of navigation upon the St. Lawrence river and the Canadian canals, the government of the United States may suspend, as to Canada, the third article, which admits an enumerated list of articles, the growth and produce of the colonies and the United States, into each country respectively, free of duty.

Great Britain not having suspended the right of Americans in the St. Lawrence and the Canadian canals, Congress has no power to act under this solitary exception to the permanent obligation of the treaty.

It is therefore submitted that, until September 11, 1864, and further or beyond that date until the lapse of a subsequent notice of twelve months (if the government desire to terminate the operation of the treaty), the Congress and citizens of the United States will scrupulously observe and fulfil the obligations imposed by article V. above cited, as well as all the other provisions of the treaty in question.

II. We venture the further statement that all parties to this treaty have hitherto observed its stipulations in good faith. The Americans possess and enjoy their enlarged rights in the British fisheries of the north-eastern coast, and the free navigation of the St. Lawrence; neither government has interrupted the exchanges of the free list prescribed by the third article; while upon a subject purposely excluded from the provisions of the treaty, namely, the tariffs of the United States and the adjacent provinces, in respect to articles of manufacture and foreign production, there is no legitimate ground of complaint in any quarter. Prior to 1861, the duties by the Canadian tariff were considerably enlarged after 1854; but recently the American scale of duties has been advanced in a still greater proportion. In both cases the changes have been enforced by financial necessity, and do not conflict with the treaty of 1854.

III. At the regular session of the American Congress, to be assembled on the first Monday of December, 1864—almost three years from the present time—it will be in order to take measures which shall then appear expedient in regard to our relations of revenue and commerce with the British provinces on this continent. Within that period the discussions of our future continental policy may be expected to suggest the terms of a more definite and permanent treaty, avoiding former errors and omissions, and which, as your memorialists hope and believe, will be far more comprehensive and satisfactory than the negotiation of 1854. The closing three years of the decade during which the existing treaty is irrevocable will probably disclose events bearing directly and impressively upon the question of international relations on our northern frontier. Some of these we venture to anticipate.

1. Central British America, including an inhabitable area of 300,000 square miles, and extending north-west of Minnesota to the Rocky Mountains, will probably be organized as a crown colony of England, with the seat of government at Selkirk. There is good reason to believe that a bill for this purpose will become an Act of Parliament at the session now impending.

2. British Columbia, on the Pacific coast, having received a similar organization in 1858, the establishment of the province of Central British America will go far to realize the hope so gracefully expressed three years since from the throne of England: "That Her Majesty's Dominions in North America may ultimately be peopled, in an unbroken chain, from the

Atlantic to the Pacific, by a loyal and industrious population of subjects of the British Crown."

3. Minnesota, with the co-operation of the Government at Washington, has relied with confidence upon the probability of such a colonization of the fertile valleys which stretch beyond the international boundary, from the lakes of Superior and Winnipeg, or the western limit of Canada, to the Pacific colony of British Columbia. Our mails, our trains of regular transportation, and our steam vessels on the Red River of the North, are already provided as important links of international communication from Toronto to St. Paul, and thence to Fort Garry. The projected railroads of Minnesota, with extensive grants of land from Congress in behalf of their construction, harmonize in a north-western trend to the valleys of the Red River of the North and the still more remote Saskatchewan. Our whole commercial future has been projected in concert with the victories of peace, even more renowned than war, of which we still hope to witness the achievement in north-west America, irrespective of the imaginary line of an international frontier.

4. Animated by these expectations, which the march of events has hitherto justified, we invoke the "sober second thought" of the country upon the subject of our continental policy. With the suppression of the southern rebellion; with dispassionate discussions by all the parties interested; with the happy accord of minds, like Cobden in England and Chase in America, upon the best methods of revenue; and lastly, with the lessons and suggestions of the next three years, a treaty, eminently deserving the designation of a reciprocity treaty, will probably be submitted to the Congress of 1864.

5. In conclusion, the chamber merely reiterate the uniform utterance of the authorities and citizens of Minnesota, when we anticipate an adjustment of the relations of the United States and all the British provinces on this continent, upon a basis of mutual interest and good will. We do not deny the expediency of a revision of existing stipulations—at a proper time this community will insist upon a revision, but always in the interest of further freedom, not additional restrictions, of commercial intercourse. We expect to urge the territorial extension of a future reciprocity treaty to the provinces north-west of Minnesota, and an enlargement of its provisions to the proportions of a Zoll-Verein or Customs Union.

With these impressions, the St. Paul Chamber of Commerce repeats its invitation to the senators and representatives of the United States in Congress assembled to review the stipulations of the treaty of June 5, 1854, and to avoid all action inconsistent with the public faith. If, however, with the scrupulous observance of international obligations, the Congress can find or make a way in 1862 to the policy which your memorialists have assigned for the diplomacy and legislation of 1864, the result will be warmly welcomed by the people of Minnesota.

RECIPROCITY TREATY

WITH

GREAT BRITAIN.

FEBRUARY 5, 1862.—Ordered to be printed, and recommitted to the Committee on Commerce.

Mr. WARD, from the Committee on Commerce, made the following

R E P O R T.

The Committee on Commerce, to whom were referred the concurrent resolutions of the legislature of the State of New York in relation to the treaty between the United States and Great Britain, commonly known as the "Reciprocity Treaty," report as follows:

The subject of our commercial relations with the British Provinces and Possessions demands the most close investigation, not only as regards the population and territory of these dominions, but also because the principles and plans necessary to a mutually satisfactory solution of our existing difficulties with them, may have an important influence on the future policy of the United States, and form the basis for a system of interchange with other nations upon this continent.

The State of New York having a larger extent of co-terminus frontier with the most populous portion of Canada—the most important of all the Provinces—than is possessed by any other State in the Union, her people would naturally be the first to reap the benefits of free intercourse with Canada, and the first to be injured by exclusive legislation on the part of that Province. The subject being thus brought home to the people of New York, the following Resolutions were duly passed by the Legislature of that State, and have been referred to this committee for consideration :

CONCURRENT RESOLUTIONS of the Legislature of the State of New York in relation to the treaty between the United States and Great Britain, commonly known as the Reciprocity Treaty.

Whereas, under the treaty made by the United States with Great Britain, on behalf of the British North American Colonies, for the purpose of extending reciprocal commerce, nearly all the articles which Canada has to sell are admitted into the United States free of duty, while heavy duties are now imposed upon many of those articles which the United States have to sell with the intention of excluding the United States from

the Canadian markets, as avowed by the Minister of Finance and other gentlemen holding high official positions in Canada ; and similar legislation with the same official avowal has been adopted by the imposition of discriminating tolls and duties in favor of an isolating and exclusive policy against our merchants and forwarders, meant and intending to destroy the natural effects of the treaty, and contrary to its spirit ; and whereas we believe that free commercial intercourse between the United States and the British North American Provinces and Possessions, developing the natural, geographical, and other advantages of each, for the good of all, is conducive to the present interest of each, and is the only proper basis of our intercourse for all time to come ; and whereas, the President of the United States, in the first session of the thirty-sixth Congress, caused to be submitted to the House of Representatives an official report, setting forth the gross inequality and injustice existing in our present intercourse with Canada, subversive of the true intent of the treaty, owing to the subsequent legislation of Canada ; and whereas the first effects of a system of retaliation or reprisal would injure that portion of Canada known as the Upper Province, whose people have never failed in their efforts to secure a permanent and just policy for their own country and ourselves, in accordance with the desire officially expressed by Lord Napier when British Minister at Washington, for the " confirmation and expansion of free commercial relations between the United States and British Provinces :" Therefore—

Resolved, That the senators and representatives in Congress for the State of New York are requested to take such steps, either by the appointment of commissioners to confer with persons properly appointed on behalf of Canada, or by such other means as may seem most expedient, to protect the interests of the United States from the said unequal and unjust system of commerce now existing, and to regulate the commerce and navigation between " Her Majesty's possessions in North America and United States in such manner as to render the same reciprocally beneficial and satisfactory," as was intended and expressed by the treaty. And

Resolved, That the foregoing preamble and resolutions be transmitted to our senators and representatives in Congress, with a request that they be presented to both houses thereof.

The chief points for consideration are the extent, population, position and resources of the British North American Provinces and Possessions ; the present so-called " Reciprocity Treaty ;" the existing condition of our commercial and fiscal relations with Canada, and the line of policy most conducive to the interest and welfare of both countries ; the tendencies of modern inventions and civilization on the intercourse of nations, including the leading principles of the German Commercial Union or *Zoll-Verein*, and their applicability to the United States and the co-terminous or adjacent British Provinces and Possessions ; the mutual relations of Great Britain and Canada, and the Colonies, so far as they affect the United States ; and a method of negotiation for the removal of existing difficulties.

EXTENT, CHARACTER, RESOURCES, &c., OF THE BRITISH NORTH AMERICAN PROVINCES AND POSSESSIONS, AND CLIMATE OF THE INTERIOR.

The great and practical value of the British North American Provinces and Possessions is seldom appreciated. Stretching from the Atlantic to the Pacific Ocean, they contain an area of at least 3,478,380 square miles—more than is owned by the United States, and not much less than the whole of Europe, with its family of nations. No small portion of these British territories consists of barren and inhospitable regions in the extreme north; but, as a recompense, the arid plains extending through Texas, and thence northward beyond the limits of the United States, are comparatively insignificant as they enter the British Possessions, where the Rocky Mountains are less elevated and have a more narrow base. The isothermal line of 60° for summer rises on the interior plains of this continent as high as the sixty-first parallel, its average position in Europe; and a favorable comparison may also be traced for winter and the other sessions of the year. Spring opens almost simultaneously on the vast plains reaching from St. Paul's to the Mackenzie river—a distance northerly of about 1,200 miles. Westward from these regions—now scarcely inhabited, but of incalculable value in the future—are countries of yet milder climate, on the Pacific slope and in Vancouver's island, whose relations to California are already important. On the eastward, but yet far distant from other abodes of civilization, are the small settlements enjoying the rich lands and pleasant climate of the Red River of the North, a stream capable of steamboat navigation for four hundred miles.

It is asserted by those who add personal knowledge of the subject to scientific investigation, that the habitable but undeveloped area of the British possessions westerly from Lake Superior and Hudson's Bay, comprises sufficient territory to make twenty-five States, equal in size to Illinois. Bold as this assertion is, it meets with confirmation in the isothermal charts of Blodgett, the testimony of Richardson, Simpson, Mackenzie, the maps published by the Government of Canada, and the recent explorations of Professor Hind, of Toronto.

North of a line drawn from the northern limit of Lake Superior to the coast at the southern limit of Labrador exists a vast region, possessing in its best parts a climate barely endurable, and reaching into the Arctic regions. This country, even more cold, desolate, and barren on the Atlantic coast than in the interior latitudes, becoming first known to travellers, has given character in public estimation to the whole north.

Another line, drawn from the northern limit of Minnesota to that of Maine, includes nearly all the inhabited portion of Canada, a Province extending opposite the Territory of Dakota and States of Minnesota, Wisconsin, Michigan, Ohio, Pennsylvania, New York, Vermont, New Hampshire, and Maine, possessing a climate identical with that of our northern States.

The "Maritime Provinces" on the Atlantic coast include New Brunswick, Nova Scotia, Prince Edward's Island, and Newfoundland. Geo-

graphically they may be regarded as a north-easterly prolongation of the New England system. Unitedly they include an area of at least 86,000 square miles, and are capable of supporting a larger population than that at present existing in the United States or Great Britain. They are equal in extent to the united territory of Holland, Greece, Belgium, Portugal, and Switzerland.

New Brunswick is 190 miles in length and 150 in breadth. Its interests are inseparably connected with those of the adjacent State of Maine. It has an area of 22,000,000 acres, and a sea-coast 400 miles in extent and abounding in harbors. Its population some years ago numbered 210,000, whose chief occupations are connected with ship-building, the fisheries, and the timber trade. Commissioners appointed by the Government of Great Britain affirm that it is impossible to speak too highly of its climate, soil, and capabilities. Few countries are so well wooden and watered. On its unclaimed surface is an abundant stock of the finest timber; beneath are coal fields. The rivers, lakes, and sea coast abound with fish.

Nova Scotia, a long peninsula, united to the American continent by an isthmus only fifteen miles wide, is 280 miles in length. The numerous indentations on its coast form harbors unsurpassed in any part of the world. Including Cape Breton, it has an area of 12,000,000 acres. Wheat, and the usual cereals and fruits of the northern States, flourish in many parts of it. Its population in 1851 was declared by the census to be 276,117. Besides possessing productive fisheries and agricultural resources, it is rich in mineral wealth, having beneath its surface coal, iron, manganese, gypsum, and gold.

The province of Prince Edward's Island is separated from New Brunswick and Nova Scotia, by straits only nine miles in width. It is crescent-shaped, 130 miles in length, and at its broadest part is 34 miles wide. It is a level region, of a more moderate temperature than that of Lower Canada, and well adapted to agricultural purposes. Its population in 1848 was 62,678.

The Island of Newfoundland has a sea-coast 1,000 miles in extent. It has an area of 23,040,000 acres, of which only a small portion is cultivated. Its spring is late, its summer short, but the frost of winter is less severe than in many parts of our own northern States and Territories. It is only 1,665 miles distant from Ireland. It possesses a large trade with various countries, including Spain, Portugal, Italy, the West Indies, and the Brazils.

The chief wealth of Newfoundland and of the Labrador coast is to be found in their extensive and inexhaustible fisheries, in which the other Provinces also partake. The future products of these, when properly developed by human ingenuity and industry, defy human calculation. The Gulf Stream is met near the shores of Newfoundland by a current from the Polar basin, vast deposits are formed by the meeting of the opposing waters, the great submarine islands known as "The Banks" are formed,

and the rich pastures created in Ireland by the warm and humid influences of the Gulf stream are compensated by the "rich sea-pastures of Newfoundland." The fishes of warm or tropical waters, inferior in quality and scarcely capable of preservation, cannot form an article of commerce like those produced in inexhaustible quantities in these cold and shallow seas. The abundance of these marine resources is unequalled in any portion of the globe.

Canada, rather a nation than a province, in any common acceptation of the term, includes not less than 346,863 square miles of territory, independently of its North-western Possessions not yet open for settlement. It is three times as large as Great Britain and Ireland, and more than three times as large as Prussia. It intervenes between the Great North-west and the Maritime Provinces, and consists chiefly of a vast territorial projection into the territory of the United States, although it possesses a coast of nearly 1,000 miles on the river and gulf of the St. Lawrence, where fisheries of cod, herring, mackerel, and salmon are carried on successfully. Valuable fisheries exist also in its lakes. It is rich in metallic ore and in the resources of its forests. Large portions of its territory are peculiarly favorable to the growth of wheat, barley, and the other cereals of the north. During the life of the present generation, or the last quarter of a century, its population has increased more than four-fold, or from 582,000 to 2,500,000.

The population of all the provinces may be fairly estimated as numbering 3,500,000. Many of the inhabitants are of French extraction, and a few German settlements exist; but two-thirds of the people of the provinces owe their origin either to the United States or to the British islands, whose language we speak, and who "people the world with men industrious and free."

NATURAL CHARACTERISTICS OF NORTHERN NATIONS, AND THE NECESSARY PRINCIPLE OF OUR POLICY.

The climate and soil of these Provinces and Possessions, seemingly less indulgent than those of tropical regions, are precisely those by which the skill, energy, and virtues of the human race are best developed. Nature there demands thought and labor from man, as conditions of his existence, but yields abundant rewards to wise industry. Those causes which, in our age of the world, determine the wealth of nations are those which render man most active; and it cannot be too often or too closely remembered in discussing subjects so vast as these, where the human mind may be misled if it attempts to comprehend them in their boundless variety of detail, that sure and safe guides in the application of political economy, and to our own prosperity, are to be found in the simple principles of morality and justice, because they alone are true alike in minute and great affairs, at all times and in every place. They imply freedom for ourselves, and those rules of fraternity or equality which enjoin us to regard our neighbors as ourselves. We can trust in no other policy.

**PRINCIPLE OF RECIPROCITY—ITS NECESSITY FOR THE BRITISH POSSESSIONS,
AND APPROVAL BY AMERICAN STATESMEN.**

While free access to the markets of the United States is mutually valuable to the maritime provinces and ourselves, by far the most extensive portion of the British possessions is behind the territory of the United States, and, under an unwise and illeliberal system, would be debarred from direct communication with the Atlantic Ocean and those southern regions whence it must always derive many daily necessities of civilized life in exchange for the products of its own northern industry. Let us not inquire curiously which of the two would render the most useful service to the other under a just system and perfect development of actual reciprocity. The various parts of the American continent, like those of the human body, are wonderfully adapted to each other. The different portions of the continent do not profitably admit of any commercial separation, and the principle of unrestricted commercial intercourse with the British North American Possessions has been approved alike by the free traders and protectionists at all periods of our national existence.

**DATE OF THE TREATY, AND POLICY ADVISED BY AGENTS OF THE UNITED-
STATES TREASURY.**

With the intention of establishing a system thus mutually advantageous, a treaty was made in 1854 by the United States with Great Britain on behalf of the Provinces of Canada, New Brunswick, Nova Scotia, Prince-Edward's Island and Newfoundland.

Various representations having been made as to the unfriendly, adverse, or restrictive legislation of Canada, the Hon. I. T. Hatch, of the State of New York, and James W. Taylor, of Minnesota, were appointed as agents of the Treasury Department of the United States to inquire into the operations of the reciprocity treaty. They reported the results of their investigations in 1860. Minor differences of opinion exist between the two commissioners, but they fully agree as to the ultimate object of our national policy towards the Provinces, that of unrestricted commercial intercourse.

COMPREHENSIVE STATEMENT BY HON. I. T. HATCH.

Mr. Hatch briefly sketches the chief causes of the uniformity of opinion among all political parties in this Country, at all times, by the following comprehensive statement :

“ The territory of the Provinces is indented with our own along a line extending across the continent from ocean to ocean. The wages of labor (the great modern test of one phase of national equality) are nearly equal in both Countries. The cost in the production of wheat and other cereals differs but little on both sides of the boundary line. Shown thus to be apparently commercially alike by these leading considerations, and minor parallels confirming the similitude, it is not singular that at various periods of our national existence the idea of reciprocity in trade between the two countries has received the favorable regard of eminent men.”

DECIDED OPINION OF MR. VAN BUREN.

"The policy of the United States," wrote Mr. Van Buren, referring especially to the North American Colonies, to Mr. McLean, who was then our minister at the Court of St. James, in 1829, during the Presidency of General Jackson, "in relation to their commercial intercourse with other nations, is founded on principles of perfect equality and reciprocity. By the adoption of these principles they have endeavored to relieve themselves from the discussions, discontents, and embarrassments inseparable from the imposition of burdensome discriminations. These principles were avowed while they were yet struggling for their independence; are recorded in their first treaty, and have been adhered to with the most scrupulous fidelity."

MUTUAL ADVANTAGES OF A HOME MARKET.

The consideration which have led many American statesmen to advocate a "protective" system, and establish "home markets," dictate the adoption of unrestricted intercourse with the provinces. A "home market" is the market nearest home, and this is furnished by our respective possessions to each other at every point of our neighboring or co-terminous territory.

ADVANTAGES OF A CONTINENTAL OR AMERICAN POLICY APPRECIATED BY BOTH POLITICAL PARTIES.

The recent increase of facilities for communications by canals, railroads, bridges, steamboats, and telegraphs, assisting the transfer of merchandise, the travel of passengers, and the free interchange of thought between the United States and the British provinces, add to this policy a value which we cannot estimate too highly, and of which we cannot foresee the future greatness. Long before these additional considerations pressed upon public attention and brought home a knowledge of our true continental policy to almost every inhabitant of our vast northern frontier, by the common experience of his daily life, the exceptional character of our natural relations with the provinces had been duly observed by those American statesmen who have advocated a protective policy.

OPINIONS AND TESTIMONY OF HENRY CLAY.

Among the foremost advocates of this system was Mr. Clay, who, in his letter dated October 11, 1826, to Mr. Vaughan, alike expressed his own convictions and added his valuable testimony to the uniformity of opinion among American statesmen in his time, and of the policy by which this government has always been guided. He said in his letter to Mr. Vaughan, dated October 11, 1826, "the government of the United States has always been anxious that the trade between them and the British colonies should be placed on a liberal and equitable basis. There has not been a moment since the adoption of the present Constitution when they have not been willing to apply to it principles of fair reciprocity and equal competition."

UNANIMITY OF THE AGENTS APPOINTED BY THE TREASURY OF THE UNITED STATES.

Mr. Hatch maintains "that no commercial arrangement can be permanently advantageous to one party without being so to both ; that the basis of virtual, if not of literal, reciprocity is the only solid ground of international relations ; and that the increased prosperity of one of the family of nations only offers an enlarged market for the industry and an expanded field for the commerce of every other," and that with reciprocal free trade we should present to the world the "sublime example of two contiguous nations abandoning suspicion of injury from each other, and practising in their intercourse the best principles professed in modern civilization."

To these opinions Mr. Taylor gives a hearty assent, quoting, in his support, the opinions of various eminent statesmen. He presents to the consideration of the government of the United States the removal of all restrictions upon the commerce of these kindred communities, and brings forward a suggestion which has long engaged the attention of many intelligent men on both sides of the frontier—to extend the principle of reciprocity to manufactures as it now exists in raw or unmanufactured products, and "*establish an American Zoll-Verein, each country adopting the policy of unlimited free trade with the other.*"

COMPLETE RECIPROCITY RECOMMENDED BY THE CANADIAN PARLIAMENTARY COMMITTEE IN 1858.

The same plan has, on more than one occasion, received the sanction of the Canadian parliamentary committee on commerce. In 1858, taking cognizance also of the restrictions checking the mutual intercourse of the different provinces which have been aptly termed "countries foreign to each other without diplomatic relations," the same committee advised the removal of all duties on the productions of the British Possessions in America, so that "precisely the same principle as exists in the intercourse between the different States of the American Union may be established in these colonies," and also that "*the principle of reciprocity with the United States may be extended to manufactures, the registration of Canadian and United States built vessels, and to the shipping and coasting trade, in the same manner as to the productions of the soil.*"

In the Canadian parliament a desire has frequently been expressed to do away with the four or five currencies and the four or five different tariffs now existing in the Provinces, and to remove obstacles to trade with the United States, thereby mitigating many evils which are injurious to the national interests of the Provinces, and tend to dwarf the minds and patriotism of their people. It will be impossible to say how far these opinions prevail in Canada, until some more efficient indication on our part has been given of a desire to reciprocate this policy fully and cordially, and to liberate the people on both sides from the present oppressive restrictions. The market to be created by free access to our citizens for all the products of Canadian industry is duly appreciated by many influential men in all parts of the Province. In Upper Canada the chief journals of both political parties are

alike in favor of a liberal system of commerce with the United States, although many inequalities and much injustice towards this country now exist in consequence of the adverse and restrictive policy of Canada, adopted since the date of the treaty.

FORMER REVENUE ON ARTICLES MADE FREE BY THE TREATY.

The amount contributed to our revenue by taxes on Canadian products on articles rendered free by the treaty was, during the previous year, nearly \$1,300,000, while the amount contributed to the Canadian revenue on the corresponding articles was less than \$200,000.*

VALUE OF CANADIAN PRODUCTIONS INCREASED TWENTY PER CENT. BY THE TREATY.

Here the special operation of the laws of political economy is worthy of note. Superficially, it is said that the markets of Europe regulate for agricultural productions the markets of this continent, and that the duty remitted on Canadian products was a saving to the pockets of our people; but the products of Canada and our relative position and requirements are such that the United States possess, to some extent, a monopoly of the Canadian market as purchasers of the products of the field. For cattle, sheep, swine, the coarse grains, and certain kinds of lumber, we constitute for Canada the only market worthy of naming; and the wheat of Canada, from its peculiar adaptation to our uses, was largely sold to us before the treaty. Of the large amount of wheat received at Toronto, the metropolis of Upper Canada, in 1859—the last year of which we possess any authentic statistics on the subject, which have been published—only two per cent. were sent *via* the St. Lawrence; the rest having been received at Oswego and other American ports; † and that the duties (of 20 per cent.) were, in effect, paid by the Canadians prior to the treaty is incontrovertibly established by the report of the select committee on commerce, appointed by the legislative assembly of Canada in 1858, testifying that the effect of the repeal of discriminating duties on grain imported into Great Britain was “to depreciate the value of all articles grown or produced in Canada 20 per cent. under the value of like articles grown or produced in the United States, and this difference in value continued up to the year 1854, (the year of the treaty,) a period of nearly nine years.

RIGHT OF THE UNITED STATES TO A JUST RECIPROCITY.

The “reciprocity treaty” is thus shown to have been productive of extraordinary advantage to Canadian industry, which is chiefly employed in agricultural pursuits. From Canada, as from the newer States of this Union, the chief articles of export are raw products; but a considerable share of the exports naturally made from the United States to Canada

* As nearly as can be ascertained.—See report of Canadian Commissioner of Customs.
† See report of Canadian Commissioners of Public Works, page 7.

consists of the products of manufacturing industry ; and it does not admit of any doubt or question that commercial reciprocity, apart from the confusion arising from a conventional and technical construction of the words—actual reciprocity of commerce between the two countries—implies a free and fair exchange on equal terms of all the products of labor in both. In admitting Canada to the commercial advantages she would enjoy if she were a State of this Union, we have a right to expect from her in return the same commercial privileges which each State of the Union confers upon the others.

CANADIAN MINISTER OF FINANCE OFFICIALLY AVOWS A POLICY ADVERSE TO RECIPROCITY WITH THE UNITED STATES.

It was indeed expected, when the treaty was made, that Canada would continue to impose moderate duties upon American manufactures ; but if at that time she had announced a determination to enact laws especially discriminating against all forms of our industry, except those which are nominated in the bond, the benefits we have conferred upon her would never have been granted, nor can she expect their continuance beyond the time required by the treaty. Yet this tendency and intention to isolate herself and exclude us, except so far as we may be purchasers of her products, was not only commonly proclaimed by a large party in the Province, but was officially avowed by the Canadian Minister of Finance,* and various alterations have been made in the method of levying duties on merchandise of foreign origin for the avowed purpose of checking the trade of New-York and Boston.

CANADIAN TAXATION OF AMERICAN PRODUCTIONS IN CONTRAST.

The statistics of the Canadian government show that for the first three years after the treaty Canada taxed forty-five times as large an amount of American productions as the United States taxed of Canadian productions. Since that time our exports of manufactures to Canada have diminished. Having deducted from the importations from Canada into this country the articles of iron, hardware, and salt, as they are not produced for exportation in Canada in appreciable quantities, but are evidently of foreign origin, the following is a tabular statement for each fiscal year since the treaty went into full effect to January 1, 1861 :

	1856.	1857.	1858.	1859.	1860.
Products of the United States on which duty was paid in Canada.	\$7,981,284	\$6,203,320	\$4,524,503	\$4,197,316	\$4,425,001
Products of Canada on which duty was paid in the United States.	136,370	160,086	119,358	173,478	174,259
Value of American products charged with duty in Canada above that of Canadian products charged with duty in the United States.	7,844,914	6,043,234	4,405,145	4,023,838	4,250,742

* See report, May 1, 1860, pp. 34, 36, and elsewhere.

**THE UNITED STATES TAX CANADIAN PRODUCTION ONLY \$40,000, WHILE
AMERICAN PRODUCTION ARE TAXED \$1,000,000, ANNUALLY IN CANADA.**

While we have levied annually since the treaty only about \$40,000 on Canadian productions,* the average amount of duties levied on American productions in Canada has been more than \$1,000,000 annually.

If the policy of the United States towards Canada had been founded upon the theory of free imports only, our objections to this state of things would have no weight, but as our intention was to act upon the principle of reciprocity in the common sense of the term, the giving and receiving of equivalents on each side, any intentional adoption of the spirit of isolation or exclusion on either side is a departure from that system of mutual liberality and profit which the treaty was intended to inaugurate.

INTENTIONS FORMERLY EXPRESSED IN CANADA.

In those diplomatic positions where official changes are frequent, and where those who are the chief agents in important negotiations are frequently removed to distant spheres of labor, verbal understandings are readily forgotten; but when delay occurred in the negotiations leading to this treaty, Canada, through the British Minister at Washington, emphatically declared "*the disappointment was the greater, inasmuch as the Canadian government has always adopted the most liberal commercial policy with respect to the United States, as well in regard to the transit through its canals as in regard to the admission of manufactured goods coming from this country,*" and alleged, upon the official authority of the Canadian government, that if the natural products of Canada should be admitted duty free, that government would be willing to carry out still further the same liberal commercial policy already pursued towards the manufactures of the United States, adding that, in the event of our refusal, "the Canadian government and legislatures are likely forthwith to take certain measures which, both in themselves and their consequences, will effect a considerable change in the commercial intercourse between the Canadas and the United States."

NATURAL EXCHANGES OF CANADA AND THE UNITED STATES.

Canada is in many respects like our new north-western country, her farms and forests yielding a great variety of products, which under a fair system of reciprocity would be exchanged for articles manufactured in the eastern and older States. So different are the relative circumstances of the two countries, that, under the moderate Canadian tariff in operation when the treaty was made, we exported to Canada manufactures to the value of nearly eight millions of dollars in one year, while the manufactures of Canada sold to us have never exceeded about one hundred and fifty thousand dollars in value, so far as they can be ascertained. The free

* The foregoing table is too favorable to Canada, and includes many articles evidently not of Canadian origin.

:admission of the products of Canada is injurious to our farming and lumbering interests, while our manufacturers, shippers and merchants are attacked by the unjust and restrictive laws of that province.*

UNFAIR SYSTEM OF CANADIAN TOLLS DISCRIMINATING AGAINST THE UNITED STATES.

Under the stipulations of the treaty Canada granted the use of her canals to American vessels on the same terms as those enjoyed by British vessels. The Welland canal, connecting Lakes Erie and Ontario, is extensively used by American shipping. Under an enactment of 1860, if vessels and goods having paid toll on the Welland canal entered the St. Lawrence canals or any Canadian port, all except ten per cent. of the Welland charges is refunded; thus creating a discrimination of ninety per cent. against vessels going to American ports, besides a free passage through the canals of the Galops, Point Iroquois, Rapid Flat, Favian's Point, Cornwall, Beauharnois and Lachine—a discrimination against the forwarders and millers of Rochester, Oswego and Ogdensburg, the carrying systems of New York, and the shippers and merchants of that port. In the same way, vessels from Canadian ports on Lake Ontario or the St. Lawrence are charged only one-tenth of the Welland tolls exacted if they pass from American ports.

These enactments are evidently inconsistent with our just expectations. They clearly discriminate in favor of the route *via* the St. Lawrence, and against the great carrying systems of the United States. By thus throwing off a large amount of its revenue, and at the same time unnecessarily assuming large debts already incurred by municipal incorporations for a similar purpose, the Canadian government has lost all claim to the plea frequently urged on its behalf, of financial necessity, as a reason for its high tariffs on American manufactures.

THE LATE GOVERNOR GENERAL OF CANADA REPRESENTS DISCRIMINATING TOLLS AS A FREE TRADE MOVEMENT.

Although the policy of Canada in reference to her canals is thus plainly restrictive and adverse to American shipping and ports, Sir Edmund Head, lately the governor of the province, in a despatch to the Secretary of State for the Colonies of Great Britain, dated July 26, 1860, represented these discriminating measures, subversive of the intentions of the treaty, as steps towards greater freedom of trade.

CANADIAN SYSTEM OF FREE PORTS.

Canada is also deprived of the plea of insufficient revenue, the excuse usually alleged by the apologists for her adverse tariff, by having given up the collection of customs duties in different parts of her territory, throughout lines of frontier extending for some thousands of miles, evidently to the injury of her revenue and our own.

* See report of J. D. Colver, 1860, adopted by the Chamber of Commerce at Milwaukee.

By proclamation dated November 30, 1860, and published in the Canadian Gazette, it was officially declared, in pursuance of an Act of the provincial parliament, passed the previous session, that the harbour of Gaspé Basin, in the gulf of the St. Lawrence and on the southern side of that river, was constituted a free port, where goods, wares and merchandise of every description may be imported, either for consumption or exportation, without being liable to any duties of customs; and the limits of this port were practically extended so as to include so much of the promontory on the southern side of the St. Lawrence as is eastward of a line formed by and from the river Nouvelle, in the Bay of Chaleurs, to the head waters of the river Chatte, and thence down that river to the river St. Lawrence—a region which, measuring from its chief headlands, has a sea-coast of about 220 miles; and the privileges thus conferred upon this section of the district of Gaspé are also extended to the Magdalen Islands and the Island of Anticosti, and also to the north shore of the river St. Lawrence, from Point des Monts eastward to the eastern limits of Canada, on the coast of Labrador, including an additional line of sea-coast of more than five hundred miles,* measuring on the water from the chief headlands; the whole, following the line of indentations on the shore, presenting a sea-coast of 1,200 or 1,500 miles, where goods from all parts of the world can be brought free of customs' duties at the entrance to the river St. Lawrence, and near the other British provinces and the United States.

It is more important to the United States that by a similar proclamation another "free port" has been established, under the name of the port of Sault St. Marie, so as to include practically not only that port itself but also nearly the whole Canadian coast of Lakes Huron and Superior, beginning at the point of intersection of the principal meridian line with the waters of Lake Huron, extending westerly and northerly along the line of Canada to the westerly boundary of the Province, and including the adjacent islands. All goods, wares and merchandise from any part of the world can be brought into this port, and thence exported or taken to any part of a coast which, by land measurement, commencing from the chief headlands, is not less than 400 miles, and including the islands is more than 1,000 miles in extent. A wholesale merchant from the Northwestern states or the region of the lakes may purchase goods in bond in New York, convey them free of duty to Sault St. Marie and the territory fiscally attached to that port, and thence smuggle them into the United States—a process by which the risk of insurance by responsible parties is asserted to be no more than from five to ten per cent., according to the nature of the commodities themselves.

Besides the injury which such a state of things must inflict upon the revenue of the United States, and the great expense of maintaining a sufficient number of officers to check illegal traffic, injuries no less serious will arise from the demoralizing influence of the vast army of smugglers

* The extent of these free ports has been carefully estimated from maps published under the official authority of the Canadian Government; and it is intended, as no accurate measurement can be given, to give too low rather than too exaggerated a statement.

which in a few years will thus be called into existence, and who, both by day and night, will be engaged in a system of continual secret warfare against the laws of the United States.

FISCAL REASONS FOR A CONTINENTAL SYSTEM.

A valid reason for a fiscal system, which should embrace the whole American continent, is to be found in the extreme difficulty which must always attend the collection of revenue on both sides of any boundary in the interior, and the comparative ease with which smuggling on the Atlantic coast can be prevented. An army of functionaries, maintained at vast expense, would be needed on both sides of our northern frontier, if under a system of retaliation, aiming at injury to each other, each nation should endeavour to promote a system by which the revenue of the other will be defrauded of its just dues.

DEBT OF CANADA CREATED IN EFFORTS TO DIVERT THE TRADE OF THE UNITED STATES.

While it is to be regretted that the Canadian Government, having thought proper to diminish its own revenue in various methods known to be injurious to the revenue and commerce of the United States, should also have relied for its own revenue chiefly upon a tariff avowedly adverse to the interests of the United States, although many other usual sources of revenue remain untouched, the justice of this complaint becomes yet more clear upon examination of the report intituled : " Canada, 1849 to 1859, by Hon. A. T. Galt, Finance Minister of Canada, 1860," showing that the direct public debt of the province then amounted to £8,884,672, or \$43,001,812 ; all of which, except \$107,796, was contracted by making canals and railroads in Canada to compete with American interests, and in fruitless but persistent efforts to divert the trade of the Western States from the natural channels it had already formed.

OFFICIAL AVOWAL OF DISCRIMINATING DUTIES AGAINST THE MERCHANTS AND CARRIERS OF THE UNITED STATES.

Mr. Galt thus explains the change in the method of levying duties so as to divert trade from the ports of the United States :

" By extending the *ad valorem* principle to all importations, and thereby encouraging and developing the direct trade between Canada and all foreign countries by sea, and so far benefitting *shipping interests of Great Britain*—an object which is partly attained through the duties being taken upon the value in the market where last bought. The levy of specific duties for several years had completely diverted the trade of Canada in teas, sugars, &c., to the American markets (our Atlantic cities), and had destroyed a very valuable trade which formerly existed, from the St. Lawrence to the Lower Provinces and West Indies. It was believed that the competition of our canals and railroad systems, *via* Portland, together with the improvements in the navigation of the Lower St. Lawrence,

justified the belief that the supply of Canadian wants might be once more made by sea, and the benefits of this commerce obtained for our own merchants and forwarders. Under this conviction, it was determined by the government to apply the principle of *ad valorem* duties."

SPECIAL EXEMPTIONS IN FAVOUR OF THE GRAND TRUNK RAILROAD.

In pursuance of this discriminating system, it was also provided (see Consolidated Statutes of Canada, chap. 17, sec. 24) that the governor of Canada, by a departmental order, might discriminate in favor of particular routes through the United States—a singular violation of the comity or hospitality of the United States in extending unusual facilities not required by any treaty for the transfer of goods on the Grand Trunk Railroad, *vid* Portland, into Canada.

VALUE OF THE ST. LAWRENCE HITHERTO.

During the debates in Congress on the subject of the treaty, great stress was laid on the use of the St. Lawrence. One honorable member, expressing only the general expectation of many others, said :

"The free navigation of the St. Lawrence is only necessary to show us, in the fall of every year, long lines of vessels seeking the Atlantic, through Canada, laden with western produce, and in the spring making their way back with foreign wares, and with the avails of profitable labor for nearly half a year."

Hope seldom told a more flattering tale than on this subject. Sixteen hundred vessels, with an aggregate burden of 400,000 tons, were, so long ago as 1856, employed on our northern "inland seas;" but from the date of the treaty to 1860, a period of nearly six years, only forty American vessels, with a burden of no more than 12,550 tons, passed seaward through the St. Lawrence, and less than one half of them ever returned, while in 1857 alone no less than 109 British vessels cleared from Chicago alone, on Lake Michigan—a privilege which they only enjoy by means of the treaty.

Remembering that the treaty had no practical effect until 1855, the following table of the imports and exports into and from Canada, *vid* the St. Lawrence, from 1853 to 1859, inclusive of those years, affords the best data for an accurate comparison of the value of the St. Lawrence and those routes through the United States through which free transit was granted to Canadian productions by the treaty. It is compiled from the official returns published by the Canadian government.

Comparative imports and exports into and from Canada, by way of the St. Lawrence river, from 1853 to 1860, inclusive.

	Imports.	Goods in transitu for United States.	Exports.
1853*	\$19,268.260	\$1,047.964	\$15,556.594
1854.....	21,171.735	495.326	14,709.621
1855.....	11,494.028	18.014	8,195.500
1856.....	15,319.361	13.492	11,817.137
1857.....	14,561.884	183.789	13,756.786
1858.....	10,795.077	26.916	9,727.413
1859.....	11,472.754	76.314	8,983.773
1860.....	13,527.160	21.505	8,400.096

Since 1855, the first year when freedom of import, export and transit through the United States was granted to Canada for all her raw products, her people, as is shown by the foregoing table, chose routes through our territory as most conducive to their own interests ; and this diminution of trade *via* the St. Lawrence has occurred when the aggregate of the imports and exports of Canada, from all sources together, has greatly increased.

The "reciprocity treaty" removed many impediments to our use of the St. Lawrence and the free use by the Canadians of the routes through the territory of the United States.

In 1854, the year before the treaty, the value of imports by the St. Lawrence was.....	\$21,171,756
Value of exports.....	12,501,372
Total value of trade.....	<u>\$33,673,128</u>

In 1855, the year after the treaty, the value of imports by the St. Lawrence decreased to.....	\$11,494,828
Exports decreased to.....	6,975,500
Total value of trade.....	<u>\$18,469,528</u>

The decrease thus exhibited, so soon as the routes and markets of the United States were opened, was \$15,203,600, and the whole was transferred to our carriers, for in the same time the trade to the United States increased \$15,856,624, or from \$24,971,096 to \$40,827,720. In these estimates no notice is taken of heavy differential duties in Great Britain in favor of colonial timber sent by way of the St. Lawrence, tending to increase the shipments by that route.

* We find no statistics on this subject previous to 1853.

The ready access to New York at all times of the year, alike from southern and northern regions, making it a market for the products of all, gives it insuperable advantages over ports in the St. Lawrence, shut out from all connection with the south except by a route always circuitous, and entirely closed by ice for nearly half the year. Let us at least concur in the belief that a system of free competition will best solve the question, and that the cheapest and safest route is the best for both countries.

TRADE OF CANADA WITH THE UNITED STATES GREATER THAN WITH ALL OTHER COUNTRIES TOGETHER.

The natural commercial relations of Canada and the neighboring States are so great that they may justly be said to arise from geographical necessities; conditions not indeed necessary to existence, but absolutely necessary to the full development of the prosperity of each country. They are amply shown by the statistics of the Canadian government. Every year since the treaty, to January 1, 1861, she has sold a larger amount of her productions to us than to all other countries together. The relative value of our markets to Canada is already increased by the removal, in 1860, of very important duties discriminating in favour of colonial timber in the markets of Great Britain. Timber is a very large item in the exports of Canada, and the effect of the change in the English law must be to increase the sales to the United States.

Summary shewing an annual excess of exportations from Canada to the United States, above those to all other countries together, from December, 31, 1854, to January 1, 1861.

Years.	Total exports from Canada to the United States, Great Britain, and all other countries.	Exports from Canada to the United States.
1855.....	\$28,108,461	\$20,002,290
1856.....	32,047,016	20,218,653
1857.....	27,006,624	14,762,641
1858.....	23,472,609	13,373,138
1859.....	23,102,378	13,922,314
1860.....	34,631,890	20,698,398
Total exports.....	168,368,978	97,955,504
Total exports to the United States...	97,955,504	
Amount of exports from Canada to the United States, above those to all other countries together, for the last six years.		70,413,474

Although our importations into Canada have been made under legislative restrictions, they yet exceed those from all other countries together, as is shown by the following table:

Summary showing an annual excess of importations into Canada from the United States, above those from all other countries together, from December 31, 1854, to January 1, 1861.

Years.	Imports into Canada from the United States and all other countries.	Imports into Canada from the United States.
1855.....	\$36,086,169	\$20,828,676
1856.....	43,584,387	22,704,509
1857.....	39,430,597	20,224,650
1858.....	29,078,527	15,635,565
1859.....	33,555,161	17,592,916
1860.....	34,447,935	17,273,029
Total imports.....	215,982,776	114,259,345
Imports from the United States.....	114,259,345	
Imports from all other countries.....	101,723,431	
Imports from the United States above those from all other countries together, for the last six years.....	12,535,914	

NATURAL RESULTS OF THE TREATY AND ITS ABROGATION.

A great and mutually beneficial increase in our commerce with Canada was the natural and primary result of the treaty. Many causes of irritation were removed, and a large accession to our trade was acquired, through the treaty with the Maritime Provinces.* Arguments founded upon the results of the treaty, as a whole, with the various Provinces, have a valid and incontrovertible application against the unconditional and complete abrogation of the treaty, so far as it refers to Provinces against which no complaint is made. The isolated and disconnected condition of the various governments of these Provinces to each other, and the absence of their real responsibility to any common centre, are little understood. No fault is found with the acts of Newfoundland, Prince Edward's Island, Nova Scotia and New Brunswick. These separate Provinces and that of Canada have each a separate tariff and legislature, and neither of them is

* See Appendix Nos. 1 and 2.

accountable to or for any other. An abrogation of the treaty, as a whole, would therefore be a breach of good faith towards the other Provinces, even if it were expedient to adopt such a course towards Canada, but no advantages gained by the treaty with the Maritime Provinces can be admitted as offsets in favor of Canada. Each province made its own bargain, and gave and received its separate equivalents.

EXPORTS AND IMPORTS BETWEEN CANADA AND THE UNITED STATES.

The following presents a comparative view of all the imports and exports to and from the United States and Canada from December 31, 1849, to January 1, 1861:

	1850.	1851.	1852.	1853.	1854.	1855.
Imports into Canada...	\$6,594,860	\$8,365,765	\$8,477,693	\$11,782,147	\$15,533,087	\$20,828,676
Imports into the United States	4,951,159	4,071,544	6,284,521	8,936,382	8,649,002	16,737,277
Excess of imports into Canada.....	1,643,701	4,294,221	2,193,172	2,845,765	6,884,095	4,091,399
Other imports into U. States †.....	982,083	845,833	1,251,632	1,789,073	1,769,880	3,265,013
Estimated excess of imports into Canada from the U. States above Canadian imports into the United States...	661,618	3,448,388	941,640	1,056,692	5,114,215	826,335

	1856.	1857.	1858.	1859.	1860.
Imports into Canada...	\$22,704,509	\$20,224,650	\$15,635,565	\$17,592,916	\$17,273,029
Imports into the United States.....	17,979,753	13,206,436	11,930,094	13,922,314	18,427,968
Excess of imports into Canada.....	4,724,756	7,018,214	3,705,471	3,670,602
Other imports into U. States †.....	2,238,900	1,556,205	1,443,044	1,664,603	2,370,430
Estimated excess of imports into Canada from the United States above Canadian imports into the United States... .	2,485,856	5,462,009	2,262,427	2,005,999	1,115,491

† These amounts are named in the statistics published under the sanction of the Canadian government as returned not reported at *inland* ports in Canada, and it may be inferred were chiefly sent to the United States.

The following table shows the imports and exports between Canada and the United States of articles free under the treaty to January 1, 1861:

	1855.	1856.	1857.	1858.
Imports into the United States from Canada.....	\$16,476,093	\$17,810,684	\$17,812,308	\$11,514,364
Imports into Canada from the United States.....	7,725,561	7,909,554	8,642,030	5,564,615
Excess of Imports free under the treaty in favor of Canada	8,750,532	9,901,130	4,170,278	5,949,749

	1859.	1860.	Totals.
Imports into the United States from Canada.....	\$15,289,070	\$20,365,829	\$94,268,348
Imports into Canada from the United States.....	7,106,116	7,069,689	44,017,565
Excess of Imports free under the treaty in favor of Canada	8,182,954	13,296,140	50,250,783

CONTINUED INCREASE IN CANADIAN TARIFFS SINCE THE TREATY, AND THEIR INJURIOUS EFFECT ON OUR NORTHERN FRONTIER.

During this unequal condition of trade few complaints were made until the Canadian tariff of 1859 was enacted. Until that time, when a tariff against American manufactures reached its maximum, Canada had increased her tariff every year since the treaty, as will be seen by the following sketch of the Canadian tariff from 1855, the year when the treaty went into effect:

Articles.	1855.	1856.	1857.	1858.	1859.
	Per cent.				
Molasses	16	11	11	18	30
Sugar, refined.....	32	28	25	26½	40
Sugar, other.....	27½	20	17½	21	30
Boots and shoes.....	12½	14½	20	21	25
Harness	12½	17	20	21	25
Cotton goods.....	12½	13½	15	15	20
Iron goods.....	12½	18½	15	16	20
Silk goods.....	12½	13½	15	17	20
Wool goods.....	12½	14	15	18	20

The duties now levied in Canada on many of our manufactures—such as boots and shoes, harness and saddlery, wearing apparel, &c.,—

are a hundred per cent, heavier than in 1854, when the treaty was signed, and on nearly all our other manufactures—such as woollens, cottons, leather, hats, household furniture, hand-bills, glass, agricultural implements, edge tools, fire arms, carriages, nails, and other hardware, India rubber goods, manufactures of brass, copper, lead, tin, &c., and almost all our other manufactures—it has been increased sixty-two and a half per cent. The injury thus inflicted upon our people is avowed by the Hon. A. T. Galt, the financial minister of Canada, to be “no subject of regret to the Canadian government.” The tariff of which Mr. Galt speaks with so much complacency, extinguished the trade of our frontier cities with Canada in their own manufactures. Many manufacturing establishments on our side dismissed their workmen and were closed, and many were removed to Canada in order to avoid the payment of duty on their productions.

It can create no surprise that much indignation was excited, without exception, in all those cities on the Canadian frontier which are daily and hourly witnesses of the one-sided nature of our dealings with Canada in the products of American labor. Some parts of Buffalo, for instance, are scarcely half a mile from the Canadian shore. Fort Porter, until lately unoccupied on this side, and Fort Erie, in ruins on the other, attest the long cessation of warlike aggression on both sides. But the natural benefits of peace do not exist. Under the full operation of these causes Buffalo would be the commercial and manufacturing metropolis of a large region in Canada, greatly for the common good. With a view to this natural advantage she advocated the enactment of this treaty. She expended large sums of money on a railroad extending across Canada from Niagara river to Lake Huron, and has been ready to assist in constructing a bridge over the river. Many of her citizens, and those of Rochester also, have been compelled by the Canadian tariffs to leave their homes and remove their families to Canada. The daily and hourly view of a country close to their own doors, and into which their manufactures and goods are almost forbidden to enter, although the chief products of that country are admitted free of duty, under the name and disguise of “reciprocity,” into all ports of the United States, must be a cause of frequent irritation to the citizens of Buffalo, and in the early periods of this discussion such projects of a retaliatory policy naturally arose as, from other points of view, seem less likely than more moderate counsels to accomplish the desired object.

REMONSTRANCES FROM BOARDS OF TRADE IN CANADA WEST.

The origin of the tariff, tolls, and discriminating duties, of which the people of our northern States complain, is not with their neighbors of the Upper Province, who have always opposed this legislation, but with those of the Lower Province, who have endeavored, in violation of the laws of trade, to force the trade of Canada West and of the western States to Montreal and Quebec, instead of allowing New York and Boston to compete on equal terms with the ports on the St. Lawrence. As the chief exports of Canada to the United States are made from the Upper Province, to stop the importation of these productions into the United States would

injure most that section of Canada against which no complaint has been made.

The chief cities of [Canada West, through their boards of trade, presented petitions against the objectionable tariff, of which the following is an example :

“ Your petitioners are of opinion that so uncalled-for and unwise a scheme is calculated to affect the existing pleasant commercial relationship between Canada and the United States in the working of the reciprocity treaty, the great advantage of which to this province is well known to your honorable house, inasmuch as the proposed policy of the inspector general practically shuts the door to the admission into Canada of the leading articles of commerce hitherto purchased in the great markets of the United States, and *forcing Upper Canada to import via the St. Lawrence, or otherwise pay an enormous increase of duty.*”

RETALIATION CONSIDERED.

Commercial retaliation is justified by the highest authorities and precedents, but only when it is the best course towards the desired end. It is not always the shortest or safest road to our objects. As in a war of arms, so also in a war of legislation, the influence of reason is diminished. Passion and prejudice are excited, and, often, in pursuit of a temporary and doubtful gratification, we commit lasting and incurable evils. It may turn friends into enemies, and strengthen our opponents. As in the common business of life, and in reference to conflicts of any kind, so also on this occasion, some effort at negotiation should be made before recourse is had to hostilities. A friendly feeling assists negotiation, and in this case more than half the permanent value of victory is in the sentiment of concord, if for no other reason than that moral forces have great material power. Besides, there is difference of opinion among ourselves as to the justice of retaliation, but *from one end of our frontier to the other there is practically no difference of opinion as to the object to be gained for the mutual benefit of Canada and ourselves—a reciprocity of commerce not only in name but in substance, giving neither party the vantage ground.**

LEGISLATION SHOULD PROMOTE SUBSTANTIAL RECIPROCITY.

The adoption of this policy on both sides would at once put an end to many causes of expense and irritation. The material barriers which have divided the people of the British provinces from those of the United States have already been practically removed by the increase, of neighboring settlements and the progress of modern methods of intercourse by means of steam and electricity. In the power of these agents we have a guarantee for the indestructibility of the beneficent civilization we desire to establish ; and from their agency, seconded and advanced in mutual alliance by the power of the printing press, arises from one end of the northern frontier to the

* See report of Detroit Board of Trade.

other an universal knowledge of the advantages to be gained in both countries by a removal of the legislative barriers to our commercial and social intercourse with the Provinces, in pursuance of a settled policy, based upon a just regard to their interests and rights. Let practical legislation secure the beneficent results of this wisdom.

PREVALENT OPINIONS THROUGHOUT THE NORTHERN FRONTIER OF THE UNITED STATES.

In Minnesota and Dakota, where a knowledge of the climate and fertility of the British north-western Possessions prevails, a strong and uniform feeling as to the value of this commerce exists. At Milwaukie, the chamber of commerce reported in favor of reciprocity, but stated its inability to discover any fair or equitable equivalents for the present advantages given by us to Canada. Chicago, conscious that, by the interposition of the great chain of lakes stretching northward from her through seven degrees of latitude, she is the "inevitable gateway to and from the British Possessions in the north-west," and that, being within striking distance of the navigable waters falling into the Gulf of Mexico, and having both railway and water communication with it, she will collect within her storehouses the products of every zone, as the great commercial metropolis between the north and south, the east and west,* "demands even a much more liberal reciprocity treaty." Detroit, of which the neighboring region of Canada is naturally a suburb or a part, finds that the sale of her manufactures and goods of foreign origin is almost prohibited in Canada, while the winter wheat and other products of her State meet those of Canada in eastern markets free of duty. Her Board of Trade expressed its preference of a cessation of intercourse with Canada to the present system, but is in favor of a fair and equal reciprocity. Cleveland desires a complete and harmonious development of the resources of each country. Buffalo and Rochester see, in their proximity to the coal of Pennsylvania, and the absence of this valuable mineral in the geological formations of Canada West, and in other causes, an inexhaustible source of mutually profitable commerce between themselves and Canada, but cannot deem that system reciprocally free which admits the products of the Province free of duty, but closes American manufactories and removes them to a foreign country. At Oswego, the Board of Trade declared itself in favor of Zoll-Verein. Ogdensburg, ever liberal towards Canada, finds itself, like the other frontier cities, permitted to buy from, but prevented from selling to, that Province. The interests of Maine, necessarily, from her geographical projection into the territory of the Provinces, tend strongly towards commercial unity with the Provinces. No State is more interested than Massachusetts, whose manufacturing industry would thus become free throughout the entire north. The conclusion at which the people of the frontier have thus unanimously arrived has not been reached at any moment of passing excitement. It is the deliberate opinion of practical men, whose daily interests are involved in the question, who perceive that the attainment of the objects at which they aim may be retarded, but cannot be prevented, and who ask of the

* Report of the Bord of Trade at Chicago.

statesmen of their country to cast the sentiment of the frontier into a useful and permanent form, by the removal of restrictive laws, and by opening such channels of trade as, beginning at the frontier, will enrich the interior of their various States, concentrating wealth and commerce at our seaports, increasing our shipping, and adding materially to our national resources.

OUR MUTUAL INTERESTS.

The British Possessions on this continent have a population nearly equal in number to that of our Union at the time of its origin, and nearly twice as large as that of the seven originally seceding States. Sprung from the two great rival nations of the Old World, their people so closely resemble our own that they mingle with us unobserved, and almost without distinction, in our daily thoroughfares, wondering, it may be, why they and their vast country, close to our own doors, should have less importance, as may superficially appear, in the estimation of the United States, than has been awarded to the small and remote island of Japan and its oriental inhabitants, on whom we have lavished large sums for luxurious entertainments and costly embassies.

It is computed that Canada alone, if her past and present rate of increase is continued, will have twenty millions of inhabitants at the end of this present century, numerically exceeding the population of Great Britain when this century began.

Adding our own territories to those of Great Britain on this continent, we find that instead of discussing only the interests of a few frontier cities, our attention is directed to the commercial relations of one-eighth of the habitable surface of the world. There is no part of the globe where greater natural advantages await the use of civilized man.

Such are the physical proportions of the subject, but the political ideas and moral agencies which public opinion desires to apply to it are yet more comprehensive, sublime, and perpetual. It seeks a unity "not of governments but of people." It desires to extend to the provinces and ourselves the same system of mutual and material benefits which has been found so beneficial to the various States of this Union. It is the system by which the present enlightened rules of England and France are endeavoring to reverse the political estrangement of "those two great nations whose conflicts have often shaken the world, by undoing for their purpose that which their fore-fathers did for a different purpose, and pursuing, with equal consistency, an end that is more beneficial." *

The Provinces may be said to be foreign countries, but each of them is less distant from the United States than many of our own States are from each other; and while Providence has thus made us neighbors, and by the indentations of our respective territories has rendered mutual rights

* See the memorable speech of Mr. Gladstone, chancellor of the British exchequer, February 10, 1860.

of transit almost necessary to both, it has also given to us, as northern and southern nations, so great a variety of climate and productions as to render us capable of conferring upon each other such benefits as we cannot estimate too highly. The timber, wheat, and other grains, water power and fisheries of the Provinces, furnish abundant material of beneficial exchange for the corn, cotton, tobacco, coffee, sugar, fruits, and mineral wealth of the more southern portions of this continent.

With full development of these material interests, social relations and the beneficial interchange of ideas will increase. It was an object worthy of European statesmen, and honorable to our common nature, to eclipse the glories of former history by endeavoring to substitute between France and England the realities of peace and those true and mutual interests which, when understood, are always found to be harmonious, for the memories of false glory and "a policy founded upon war, conquest, expenditure, and patronage." To us a wider and clearer field is open on a new continent. We and the British provinces, young as nations, are comparatively unimpeded by petty interests and hostile traditions. A policy based upon the best and surest foundation will grow with our growth and strengthen as we become stronger. The traveller on our joint frontier has been accustomed to see our forts in ruins or without garrisons. The standing armies of Europe are computed to include more than 3,000,000 of men, withdrawn permanently from productive pursuits. Less than 20,000 men have hitherto sufficed for defence on both sides of our frontier.

In the Old World the enormous evils resulting from the system of isolation, although deplored by all who deserve the name of statesmen, have been continued through mutual ignorance and fear, forming a vast international aggregation of crimes which all civilized men abhor in detail and among individuals; for war, when it is the habitual condition of mankind, bequeathing legacies of hatred and revenge from one generation to another, is not only demoralization and death to multitudes of men, but brings with it degradation, misery, and vice to women and children. It is adverse to those social and domestic ties by which all real civilization is connected.

If the treasure and lives of men wasted by mutual destruction in Europe, since the discovery of America, had been spent in a war upon the wilderness we are considering, instead of a war upon mankind, many other new and prosperous states would now have existed upon this continent. The annual expense of government in Great Britain alone, with a population of nearly the same number as that of the United States, is more than three hundred and fifty millions of dollars. Taking only one item from the vast European and Asiatic aggregate of military expenditure, and applying it to a subject which has frequently engaged the attention of the American people, it is computed, upon medium estimates, that the amount now remaining as the national debt of Great Britain alone would suffice to construct fifty railroads from the cities of the western States to the Pacific ocean.

It is not utopian to believe that the world may be better governed than it has been heretofore, or that nations, for the purposes of peaceful

policy, should avail themselves of the new discoveries and material agencies known and useful to individuals in common daily life.

Free intercommunication and the great material interests of our continent are, under a wise guidance, the true medium for its government. Instead of garrisons and armies, our policy should be to substitute those mutual interests and quiet forces by means of which each individual, even when he seeks only his own personal welfare, is, perhaps unconsciously, subserving the great decrees of Providence.

THE ZOLL-VEREIN, OR GERMAN COMMERCIAL UNION—ITS ORIGIN, SUCCESS, EXTENSION, CHARACTER, AND TENDENCIES.

By adopting the principles embodied in the *Zoll-Verein*, or Prussian confederacy of the German states, we and the British Possessions can obtain all the commercial advantages of union without political entanglement, leaving each country free to practise in its own self-government such rules as its believes to be most in accordance with the genius of its people, and best adapted to promote its own interests.

The principle of the *Zoll-Verein*, *Toll-Alliance*, or *Custom's Union*, is an uniformity among its component States as to IMPORTS, EXPORTS, and TRANSIT.

It allows and encourages among its members as complete freedom of communication and exchange as exists between different counties of the same State, or between different States of the American Union, and commends itself to the approbation of all who comprehend the spirit of the age. It facilitates the collection of revenue, by collecting only on the frontier of its confederated States. The payment of duties in one of the States is sufficient to procure a free sale or transit in each other, and the revenue was originally divided among its members in proportion to the number of their respective inhabitants.

In the United Kingdom of Great Britain and Ireland the customs house laws, which formerly separated Scotland and Ireland from England, have been superseded by a general system of taxation applicable to the whole. In France, local barriers have given way to a general system of taxation. These two empires have now entered upon a system of legislation for their mutual benefit ; but the *Zoll-Verein* itself arose in Germany.

The wisdom of its founders is demonstrated by the great test of time. No material alteration has been made in the principles, or even in the details, of the laws established at its origin. Many additional States have voluntarily become members of its Union.

It began in 1818—forty-four years ago—when Prussia formed a commercial union with a few minor States. The alliance arose from no hostility to other powers, but from a desire to get rid of those obstacles to intercourse which separate fiscal laws created among people whom natural feelings

and commercial interests would otherwise connect more intimately together; The Prussian tariff of 1818 was adopted.

In 1834 the experience of its benefits had given strength to its influence. Statesmen perceived that Prussia had, by her liberal policy, conferred upon Germany advantages second only to those she had initiated by the diffusion of education and intelligence. At that time the Zoll-Verein was joined by other states, and thenceforward included Prussia, Bavaria, Saxony, Wurtemburg, the Grand Duchy of Baden, the Electorate and also the Grand Duchy of Hesse, and the Thuringian Association; representing, in all, a population of 26,000,000. It was regarded by philosophic minds throughout Europe as having brought many liberal and patriotic ideas out of the realms of hope and fancy into those of positive and material interests.

The political consequences which must arise from it did not escape the notice of its founders. They pursued no aggressive policy, but could not avoid the knowledge that it tended to lessen the hostility of differently constituted governments, and that a powerful political alliance would arise upon the basis of pecuniary interests and intimate social intercourse.

It effected so great a saving in the collection of revenue that in three years—from 1834 to 1836—the expenses of the fiscal establishments were reduced from \$18,000,000 to \$14,500,000. Advantages to all, this result was especially beneficial to the smaller States, whose revenue service like that of Canada, was spread along extensive frontiers, and absorbed a large proportion of their income.

Owing to increased prosperity, and the consequently increased consumption of tax-paying articles, the revenue of Prussia rose from 18.8 silver gros. per head in 1834, to 23.4 in 1838.

The saving in the expense of collection, the increased prosperity of our people, and the additional demand for foreign goods consequent upon it, would afford a basis for a friendly and satisfactory arrangement with European powers, so far as they might be affected by the adoption of a policy which could not fail to be beneficial to the Provinces and the United States.

The laws of the Zoll-Verein provide for the means of mutual investigation, so as to insure accurate returns of revenue from each place of collection. They contemplate the extension of its operations to other states, and provide for retaliation where commercial restrictions adverse to it are adopted.

Its influence has continued to spread more and more widely. On September 7, 1851, a treaty was made with a rival association, called the *Steuverein*, and consisting of Hanover, Oldenburg, and Brunswick, by which, from the 1st of January, 1854, both were included in one revenue system—the *Zoll-Verein*—thus extending its operation to 36,000,000 of Germans; and a treaty for limited reciprocal trade has been made with Austria, to last for twelve years from February 19, 1858. It is believed

by many that this treaty will lead to the actual consolidation of the whole Germanic race now existing in Europe.

REASONS FOR ADOPTING A SIMILAR SYSTEM.

At the present period of history, assuming that the popular sentiment of the Canadian people is monarchal, and not republican or democratic, the benefits of reciprocal trade can only be enjoyed by the United States and the British North American possessions under a system resembling that of the Zoll-Verein. It might include other regulations necessary for the freedom and convenience of our commercial and social intercourse, such as a uniform system of light-houses, copyrights, postage, patents, telegraphs, weights, measures and coinage.

Neither country is ready to adopt the plan of collecting a revenue entirely by direct taxation. Duties on imports are at present necessary for the government of each.

It is desirable that the principle of reciprocity should be extended to manufactures as well as to the products of the field and forest ; but to do this fairly there must be an uniformity of duties on the materials forming the component parts of the articles manufactured. If of two manufactures, one purchases his material free of duty, and the materials used by the other are subject to a high duty, there is no equal competition. The same is true of every consideration affecting the price of labor ; hence an identity of tariffs is necessary.

The ease with which revenue can be collected on the Atlantic frontier, and the difficulties which attend its collection in the interior of the continent, and in the neighborhood of countries commercially hostile, have already been indicated.

Nor can the natural, geographical, and other advantages of our respective countries, in their several parts, be developed upon a proper continental plan, unless a system of free purchase and sale is extended through all their parts, in reference to productions of foreign as well as of domestic origin. There is a great difference between a bonded system and a system of perfect freedom, as to exports or imports. The annoyances, vexations and delays necessarily attached to any bonded system are often sufficient in this day of easy communication to turn away business from its natural and best centre. It is also to be remembered that hitherto the Government of the United States has not thought it expedient to refund duties on the re-exportation of foreign merchandize in less quantities than the original package, thus creating an obstacle, often amounting to prohibition, to the jobbing and retailing of goods. This is felt every day on our frontier, where it has caused ruin to some merchants and serious loss to many others, while at the same time it injures those who, under a free and natural system, would consult their interests by purchasing the commodities sold by these merchants.

So far as can be ascertained, the whole amount of revenue collected by the United States on the north-western lakes, from 1855 to 1859, inclusively, was less by \$189,730 than the expense of collecting it.

A mere identity of tariffs would not suffice for the exigencies of the case. Philadelphia, New York, Boston and Portland would frequently receive duties on articles consumed in Canada and the North-western Possessions; and Montreal and Quebec would frequently receive duties on commodities used in the Western States. Thus the best port might collect nearly all the duties, and the region in which it is situated would have a large income derived from the goods consumed in other parts of the continent.

To these British settlements of which the capital of Minnesota is the general emporium for merchantable commodities of every description, this commercial unity is the only system by which connection with Great Britain can long be maintained. For the whole vast and yet almost unoccupied expanse of the north-west, so far exceeding the present Provinces in extent, fertility and the means of supporting human life, and for Canada West, the Zoll-Verein would secure an uninterrupted access to the southern and tropical regions of both American continents and the adjacent islands, affording markets for the products of their labor, and contributing to their social and domestic comforts. It would give them in their several regions a free choice between the Mississippi, the Hudson, the St. Lawrence, and the various systems of artificial communication in the valleys of these rivers. If compelled by the United States, as a barrier, or by the laws of Lower Canada, to import from Cuba to Toronto *via* the St. Lawrence, a distance must be traversed nearly three times as great as if free transit were given and secured through the United States. The increase of 20 per cent, in the value of the agricultural productions of Canada would be continued, and those manufactures for which she is naturally adapted would find a market increased by the addition of the population of the United States.

RELATIONS OF GREAT BRITAIN AND THE NORTH AMERICAN COLONIES.

As the present so called "reciprocity treaty" was made between the United States and Great Britain, and not with Canada, although it received the approbation of the government of each Province before it went into effect in that province, the relations of Great Britain and Canada require some consideration.

The progress of self-government in the British Colonies has advanced until the control of Great Britain is little more than nominal. The ancient theory of colonial possessions was that Great Britain should control their trade and have the exclusive privilege of supplying them with manufactures, in return for which she was expected to defend them by force of arms upon any and every occasion of real or imaginary wrong. The most simple principles of human intercourse were at variance with these doctrines. The manufacture of the commonest articles was treated as a felony in one at least of the former American Colonies of Great Britain; but at the

present time the British merchant has not any advantage over those of foreign countries in the Colonies. The tax-payers of Great Britain yet furnish armies and navies for the real or supposed benefit of the Colonies, but receive no benefit in return.

In accordance with the Report of Lord Durham, Governor General of the Provinces, and a special commissioner appointed to enquire into their condition soon after the rebellion of 1837-38, a system of gradual concession began. In 1846 England abandoned the old colonial system of trade ; the "corn laws" were repealed, and most of the productions of Canada were placed on the same footing as those of other countries. In the same year, under Lord John Russell, the principle of colonial self-government was fully admitted. It was a natural result of the withdrawal of special privileges in favor of colonial products. In 1848 the differential duties in the Colonies in favor of British goods were repealed, and in 1849 the privilege of entirely controlling her own trade and her own customs dues was awarded to Canada. From that time the same duty was charged on goods manufactured in Great Britain as on those manufactured in the United States.

When the preferential laws in the British markets in favor of colonial produce were abolished, Canada became increasingly solicitous for the admission of her products into the American markets, and the "reciprocity treaty" took effect in 1855.

PROPOSALS OF THE BRITISH MINISTER, IN 1859, FOR FREE COMMERCIAL RELATIONS BETWEEN THE UNITED STATES AND THE PROVINCES.

In 1859, when many complaints were made, representing the legislation of Canada as adverse to the treaty, Lord Napier, then British minister at Washington, submitted proposals for the "confirmation and expansion of free commercial relations between the United States and the British Provinces.

DIFFERENCES BETWEEN THE BRITISH AND COLONIAL GOVERNMENTS.

In the same year, on the 27th of August, the Canadian government having urged a law inflicting certain disabilities on our shipping, the Duke of Newcastle, Secretary of the Colonies, on behalf of the government of Great Britain, transmitted to the Colony an official despatch, of which the following is part :

" The highest respect for colonial self-government in domestic matters is not inconsistent with the rule that commercial freedom cannot be maintained by the imperial legislature, while systems of exclusion, protection, or retaliation are maintained, or rather recommended, by that of a portion of the empire. I trust that the Canadian government and legislature will fully weigh the force of these reasons, and will acknowledge that (all discussion on speculative truth in political economy left aside) the advisers of the crown in this country could do no less than maintain, as far as in them lies, *unity of legislation* on this most important subject throughout Her Majesty's dominions.

"An order in council disallowing the bill will be accordingly forwarded to you by an early opportunity.

"I have, &c.,

"NEWCASTLE.

"Right Hon. Sir E. W. HEAD, &c., &c., &c."

The tendency of the tariff enacted by the Canadian parliament in 1859 having been, as was admitted by Mr. Galt, the financial minister of Canada, "somewhat to interfere with the existing close commercial relations between Western Canada and the United States,"* and, as he also stated, to exclude certain articles of American manufacture, "which could be no cause of regret," and it being subversive of the spirit and intentions of the treaty for reciprocity of trade between the United States and Canada, and likely to produce suspicion as to the liberal commercial policy of Great Britain in the minds of those who do not know how little control she exercises over her Colonies, the course of the Canadian government excited much attention. Its inconsistency with the avowed policy of the British empire drew from the Colonial Secretary a remonstrance, on the same grounds as those named in his despatch of August 27, 1859. The nature of this despatch, and of the reply of the colonial government to it, were related by the minister of finance in the Canadian parliament April 17, 1860 He said :

"The Colonial Secretary took occasion to express views of rather a strong character in reference to the measure to which I allude—the tariff—and even went so far as to intimate that under certain circumstances, although he did not absolutely state that they existed in regard to this measure, the question of the right of the colonial legislature to decide upon its own measures of taxation, might come before the imperial government, and that Her Majesty *might possibly be advised to disallow acts of this kind.* (Hear! hear!) I will read a part of the answer the government of this country thought it their duty to make to these remarks. (Hear! hear!)

"From expressions used by his grace in reference to the sanction of the provincial customs act, it would appear that he had even entertained the suggestions of its disallowance; and though happily Her Majesty has not been so advised, yet the question having been thus raised, and the consequences of such a step, if ever adopted, being of the most serious character, it becomes the duty of the provincial government distinctly to state what they consider to be the position and rights of the Canadian legislature. (Hear! hear!) Respect to the imperial government must always dictate the desire to satisfy them that the policy of this country is neither hastily nor unwisely formed, and that due regard is had to the interest of the mother country as well as of the province. *But the government of Canada, acting for its legislature and people, cannot, through those feelings of deference which they owe to the imperial authorities, in any*

* See his letter to the Duke of Newcastle, October 25, 1859.

manner waive or diminish the right of the people of Canada to decide for themselves both as to the mode and extent to which taxation shall be imposed. The provincial ministry are at all times ready to afford explanations in regard to the acts of the legislature to which they are a party, but, subject to their duty and allegiance to Her Majesty, their responsibility in all general questions of policy must be to the provincial parliament, by whose confidence they administer the affairs of the country. And in the imposition of taxation it is so plainly necessary that the administration and the people should be in accord that the former cannot admit responsibility or require approval beyond that of the local legislature. Self-government would be utterly annihilated if the views of the imperial government were to be preferred to those of the people of Canada. *It is therefore the duty of the present government distinctly to affirm the right of the Canadian legislature to adjust the taxation of the people in the way they deem best, even if it should unfortunately happen to meet the disapproval of the imperial ministry.* Her Majesty cannot be advised to disallow such acts, unless her advisers are prepared to assume the administration of the affairs of the colony irrespective of the views of its inhabitants.

“ ‘The provincial government believes that his grace must share their own convictions on this important subject, but *as serious evil would have resulted had his grace taken a different course, it is wiser to prevent future complication by distinctly stating the position that must be maintained by every Canadian administration.*’ (Applause.)

“ These, Mr. Chairman, are the views the government felt it their duty to lay before the imperial authorities, (Hear !) and I am gratified to be able to add that when these papers are read by members of the house, it will be found that on *the point on which they objected to the tariff they have been obliged to admit that we were in the right, and that any assumed interference with our rights and privileges is not for one moment to be entertained.*” (Hear ! hear !)

So far as can be ascertained, no further correspondence between the government of Great Britain and the government of Canada as to the restrictive and adverse policy of the Province has been made public ; but some other questions having arisen on another subject, the governor general of Canada, at the opening of the Canadian parliament in March, 1861, declared it was expedient for that assembly to “ define by statutory enactments of your own the nature and extent of the laws and customs of parliament, as they shall exist in Canada.”

The intentions expressed in the words of the “ reciprocity treaty” made by the United States with Great Britain in 1854, were “to regulate the commerce and navigation between Her Majesty’s possessions in North America and the United States in such manner as to render the same reciprocally beneficial and satisfactory.” The financial minister of Canada carried into practical effect a policy avowedly restrictive and adverse to the interests of the United States. To these efforts the govern-

ment of Great Britain, through the Duke of Newcastle, Secretary for the Colonies, objected in terms of force unusual in diplomatic correspondence. The reply of the Canadian government was a declaration of complete self-control or independence in its financial affairs, and as regards its commercial relations with the United States. It seems that Great Britain, acquiescing in the principle of colonial self-government, made no further public attempt to regulate the tariff of Canada, retaining only the power to make treaties on behalf of the Provinces, while Canada assumes and exercises a right to make laws in opposition to their spirit and intentions, the enactments of the Canadian government being opposed to the development of those mutual interests, which on both sides of our vast and co-terminous frontier contribute no little to the best system of national defence, although it yet relies to a considerable extent for military protection upon the arms and expenditures of a power whose policy and wishes it disregards.

NO BASIS OF SETTLEMENT HITHERTO OFFERED BY THE UNITED STATES.

The government of the United States has never yet presented to Great Britain on behalf of the Provinces any basis or means of negotiation by which the existing causes of complaint on both sides may be removed, and a system established enabling the people to enjoy all the reciprocal advantages which they and their posterity must be capable of conferring upon each other so long as the relative geographical position of their respective territories remains unchanged, increasing the liberties and rights of each, and strengthening the sense of honorable patriotism by demonstrating its consistency with international good-will.

The Committee on Commerce believe, with the legislature of the State of New York, that "free commercial intercourse between the United States and the British North American Provinces and possessions, developing the natural, geographical, and other advantages of each for the good of all, is conducive to the present interests of each, and is the proper basis of our intercourse for all time to come."

APPENDIX.

In No. 1 of the following tables the commerce of the United States with Canada and the other Provinces is shown distinctly and apart, inasmuch as no complaint is made against the "Maritime Provinces." In No. 2 a general view is given of the trade with all the Provinces together.

No. 1.

Table showing the exports from the United States to Canada and the other British North American Provinces, and the imports into the United States from the same places from 1850 to 1859, inclusive.

Date.	Provinces.	Domestic exports.	Of foreign origin.	Total.	Imports.
1850	Canada.....	\$4,641,451	\$1,289,370	\$5,930,821	\$4,225,470
	Other British North American provinces.	3,116,840	501,374	3,618,214	1,358,992
1851	Canada.....	5,535,334	2,093,306	7,929,140	4,936,471
	Other British North American provinces.	3,221,553	861,230	4,085,783	1,736,651
1852	Canada.....	4,014,963	2,712,97	6,717,060	4,589,969
	Other British North American provinces.	2,650,134	1,141,822	3,791,956	1,520,330
1853	Canada.....	4,005,512	3,823,587	7,829,099	5,278,116
	Other British North American provinces.	3,398,575	1,912,968	5,311,543	2,272,602
1854	Canada.....	10,510,373	6,790,333	17,300,706	6,721,539
	Other British North American provinces.	4,693,771	2,572,333	7,266,154	2,206,021
1855	Canada.....	9,950,764	8,764,580	18,720,344	12,823,14
	Other British North American provinces.	5,55,878	3,229,798	9,055,676	2,954,420
1856	Canada.....	15,194,788	5,688,453	20,883,241	17,488,197
	Other British North American provinces.	7,519,909	626,199	8,146,108	3,822,924
1857	Canada.....	13,024,708	3,550,187	16,574,895	18,296,834
	Other British North American provinces.	6,911,405	776,182	7,637,587	3,832,462
1858	Canada.....	13,683,465	3,365,789	17,029,254	11,581,571
	Other British North American provinces.	5,975,494	646,979	6,622,473	4,224,948
1859	Canada.....	13,439,667	5,501,125	18,910,792	14,208,717
	Other British North American provinces.	8,329,960	883,422	9,213,382	5,518,834

No. 2.

*TRADE BETWEEN THE UNITED STATES AND THE BRITISH PROVINCES.
Statement exhibiting the increase in the exports to, and the imports from Canada and other British possessions in North America from the 30th day of June, 1851, to the 1st day of July, 1859.*

Years ending—	Exports.			Imports.	Increase each successive year over 1852.	
	Foreign.	Domestic.	Total.		Exports.	Imports.
June 30, 1852.....	\$3,853,919	\$6,655,097	\$10,509,016	\$6,110 299
1853.....	5,736,556	7,404,087	13,140,642	7,550,719	\$2,631,626	\$1,440,419
1854.....	9,362,716	15,304,144	24,566,860	8,927,560	14,057,844	2,817,261
1855.....	11,999,378	15,806,642	27,806,020	15,136,734	17,297,004	9,026,435
1856.....	6,314,652	22,714,697	29,029,349	21,310,421	18,520,333	15,200,122
1857.....	4,326,389	19,936,113	24,262,482	2,124,296	13,763,466	16,013,997
1858.....	4,012,768	19,638,959	23,651,727	15,506,519	13,142,711	9,696,220
1859.....	6,622,473	17,029,254	28,154,174	19,727,551	17,654,158	13,617,252
	52,228,830	124,388,993	181,120,270	116,594,098	97,057,142	67,811,706

CONTENTS.

	PAGE.
Despatch of His Excellency the Governor General to His Grace the Duke of Newcastle, in reference to the report of the Minister of Finance.....	3
Minute of the Executive Council.....	<i>Ib.</i>
Report of the Minister of Finance.....	4
Reciprocity Treaty between the United States and Great Britain..	25
Despatch from Lords Lyons to His Excellency Viscount Monck...	28
Memorial of the Chamber of Commerce, St. Paul, Minnesota.....	29
Report of the Committee on Commerce, of the Legislature of the State of New York, in relation to the Reciprocity Treaty...	33



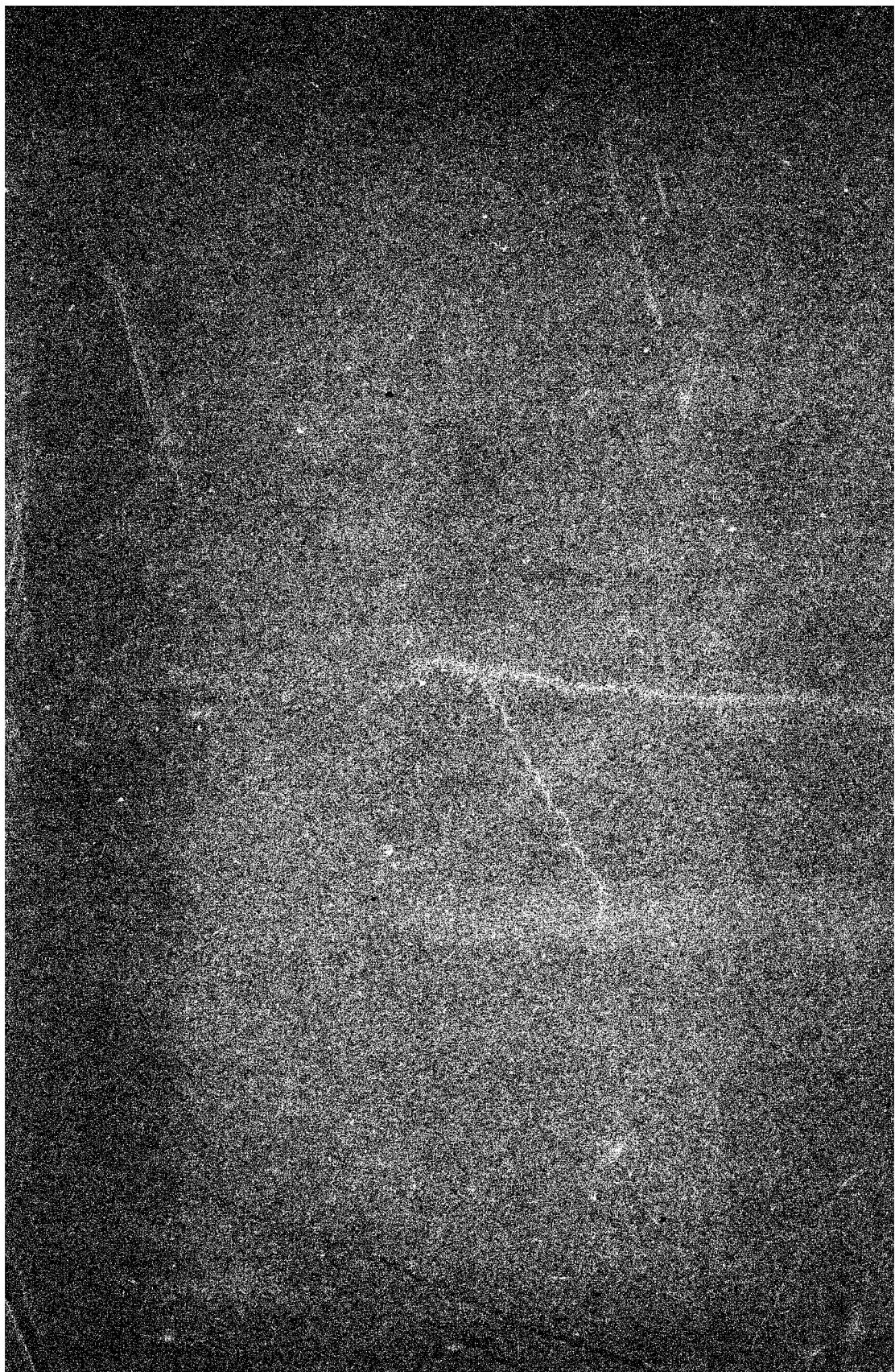
Shortt Lib.

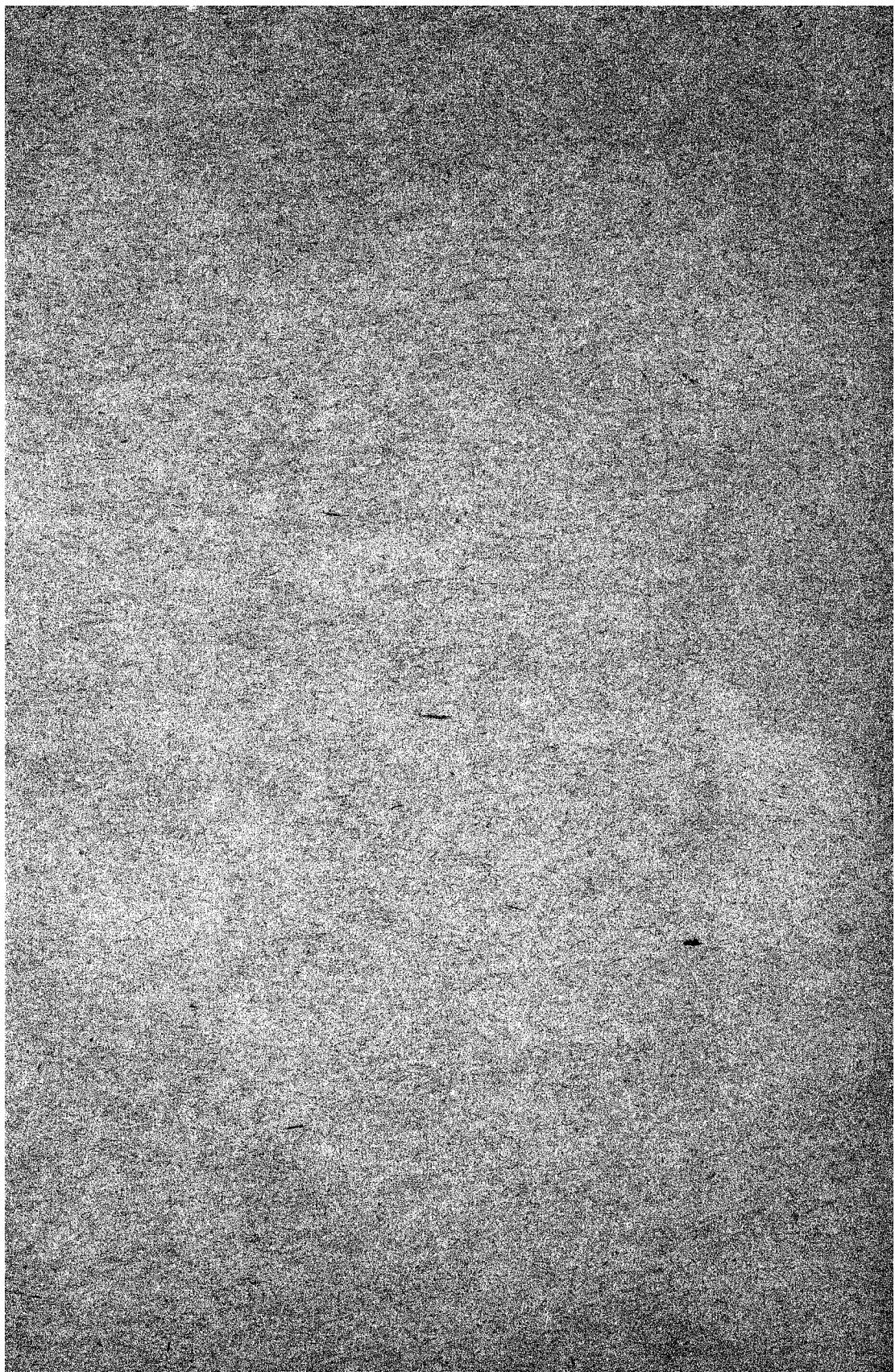
QUEBEC:

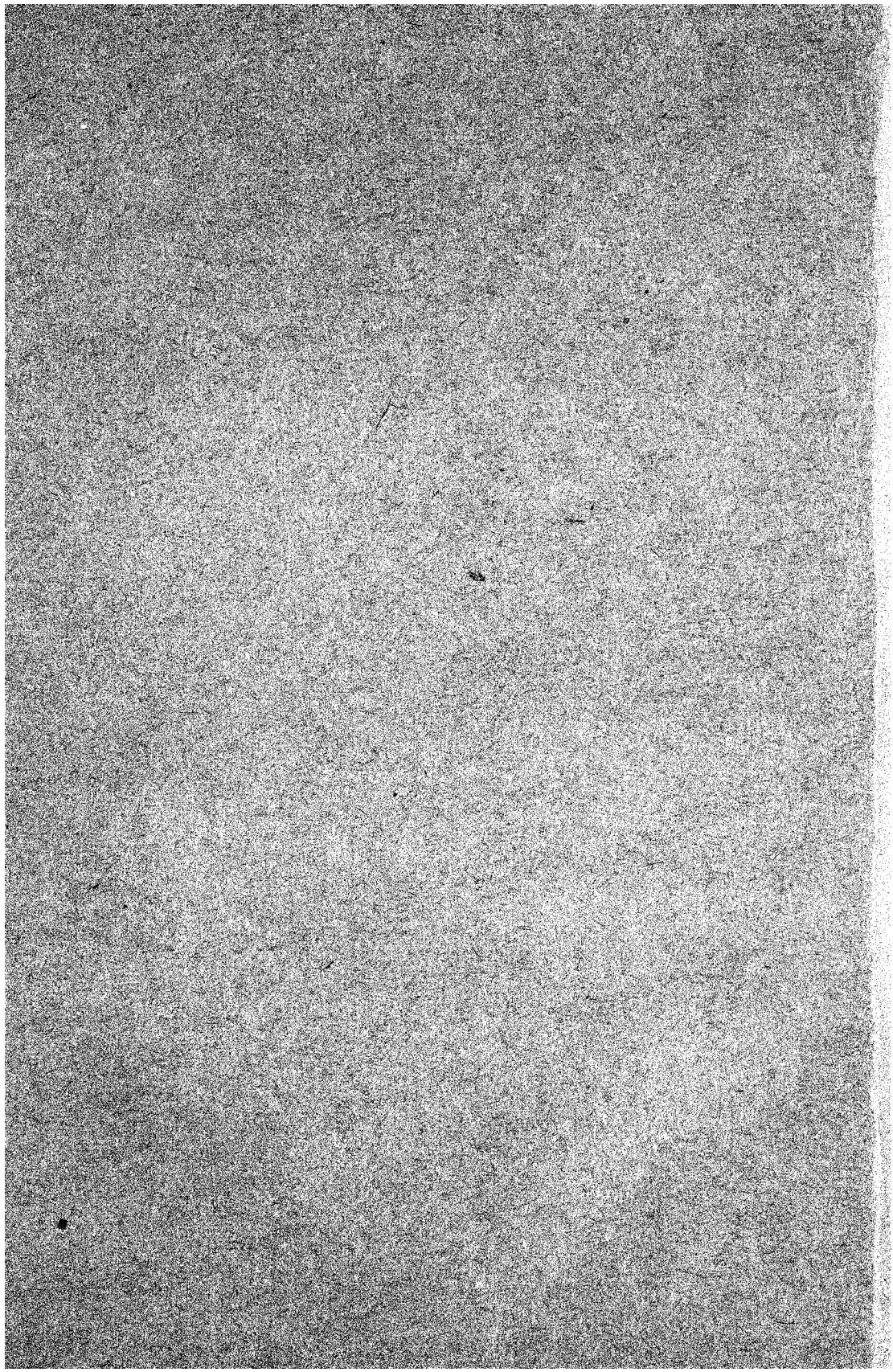
PRINTED BY STEWART DERBISHIRE & GEORGE DESBARATS,

Printer to the Queen's Most Excellent Majesty.









THIS BOOK
MAY NOT BE TAKEN
FROM THE LIBRARY

S.P.495

